

In the opinion of Nelson Mullins Riley & Scarborough LLP, Bond Counsel, under current law, interest on the Series 2019 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 taxpayers other than 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 MATTERS" herein.

\$58,395,000

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY
Refunding Revenue Bonds
(USG Real Estate Foundation II, LLC Projects), Series 2019

Dated: Date of Issuance

Due: June 15, as shown on inside front cover

The Georgia Higher Education Facilities Authority (the "Issuer") is offering \$58,395,000 in aggregate principal amount of its Refunding Revenue Bonds (USG Real Estate Foundation II, LLC Projects), Series 2019 (the "Series 2019 Bonds"). The Series 2019 Bonds are being issued pursuant to a Trust Indenture dated as of July 1, 2009, as amended and supplemented by a First Supplemental Trust Indenture dated as of March 1, 2019 (collectively, the "Indenture") between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The proceeds of the sale of the Series 2019 Bonds will be loaned to USG Real Estate Foundation II, LLC (the "Company"), the sole member of which is University System of Georgia Foundation, Inc., a Georgia nonprofit corporation (the "Foundation"), pursuant to the terms of a Loan Agreement dated as of July 1, 2009, as amended and supplemented by a First Amendment to Loan Agreement dated as of March 1, 2019 between the Issuer and the Company.

The Issuer previously issued its Revenue Bonds (USG Real Estate Foundation II, LLC Project), Series 2009A in the original aggregate principal amount of \$100,850,000 (the "Series 2009A Bonds"). The proceeds of the Series 2009A Bonds were loaned to the Company and used, among other things, to finance the cost of the acquisition, construction and equipping of a student housing facility, a dining hall and a student recreation center 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. The proceeds of the Series 2019 Bonds, together with certain other available funds, will be used by the Company for the purpose of providing funds to (i) pay when due and refund all of the outstanding Series 2009A Bonds and (ii) pay the costs of issuance of the Series 2019 Bonds. See "PLAN OF FINANCING" herein.

The Series 2019 Bonds and any Additional Bonds as defined herein are payable solely from the Trust Estate. The Trust Estate, from which the Series 2019 Bonds and any Additional Bonds are payable, includes all rights, title and interest of the Issuer in and to (a) the Loan Agreement (except for the Issuer's rights to payment of fees and expenses and to indemnification pursuant to the terms thereof); (b) the Promissory Notes, (c) the Security Deeds, (d) moneys and securities held in any and all funds created under the Indenture (except the Rebate Fund) and (e) 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, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" herein.

THE SERIES 2019 BONDS, INCLUDING INTEREST THEREON, ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THE PAYMENT THEREOF UNDER THE INDENTURE. THE SERIES 2019 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"). NO OWNERS OF THE SERIES 2019 BONDS WILL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE TO PAY THE SERIES 2019 BONDS OR THE INTEREST THEREON OR ANY COST RELATING THERETO OR TO ENFORCE PAYMENT THEREOF AGAINST ANY PROPERTY OF THE STATE. THE SERIES 2019 BONDS WILL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER. See "SECURITY FOR THE SERIES 2019 BONDS" herein.

The Series 2019 Bonds will only be issued in book-entry form registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"). Payment of the principal of and interest on the Series 2019 Bonds will be made by the Trustee directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2019 Bonds, and will be subsequently disbursed by Cede & Co. to DTC Participants and thereafter to Beneficial Owners of the Series 2019 Bonds, all as further described herein. See "Description of the Series 2019 Bonds – Book-Entry System of Registration" herein. Interest on the Series 2019 Bonds will be payable semiannually on each June 15 and December 15, commencing June 15, 2019. See "DESCRIPTION OF THE SERIES 2019 BONDS" herein.

The Series 2019 Bonds are subject to optional and extraordinary redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2019 BONDS-REDEMPTION PROVISIONS" herein.

None of the Ground Leases will be amended to reduce the footprint of the real property on which each Project is located. In addition, the fiscal year 2019 amended budget for the State of Georgia proposed by the Governor increased the appropriation to the University System by approximately \$13.58 million as compared to the original fiscal year 2019 budget, and a new subcaption entitled "THE BOARD OF REGENTS-Teachers Retirement System and Optional Retirement Plan" was added to this Official Statement.

THIS COVER PAGE CONTAINS INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY FOR OR TERMS OF THE SERIES 2019 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Series 2019 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to approval of the legality of the Series 2019 Bonds and certain other matters by Nelson Mullins Riley & Scarborough LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Nelson Mullins Riley & Scarborough LLP, Atlanta, Georgia; for the Company and the Foundation by Stover Legal Group, LLC, Atlanta, Georgia; and for the Underwriters by Kutak Rock LLP, Atlanta, Georgia. Public Resources Advisory Group, New York, New York, serves as financial advisor to the Issuer. The Series 2019 Bonds are expected to be available for delivery to the Trustee on behalf of DTC under the DTC FAST system of registration on or about March 27, 2019.

Citigroup

BofA Merrill Lynch

Wells Fargo Securities

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

<u>Maturity (June 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number²</u>
2020	\$1,795,000	5.00%	1.72%	373511HJ6
2021	1,880,000	5.00	1.76	373511HK3
2022	1,975,000	5.00	1.88	373511HL1
2023	2,070,000	5.00	1.92	373511HM9
2024	2,175,000	5.00	1.97	373511HN7
2025	2,280,000	5.00	2.09	373511HP2
2026	2,400,000	5.00	2.19	373511HQ0
2027	2,520,000	5.00	2.29	373511HR8
2028	2,640,000	5.00	2.41	373511HS6
2029	2,775,000	5.00	2.52	373511HT4
2030	2,915,000	5.00	2.69 ¹	373511HU1
2031	3,055,000	5.00	2.83 ¹	373511HV9
2032	3,210,000	3.00	3.15	373511HW7
2033	3,310,000	5.00	2.97 ¹	373511HX5
2034	3,475,000	5.00	3.01 ¹	373511HY3
2035	3,645,000	5.00	3.04 ¹	373511HZ0
2036	3,830,000	4.00	3.44 ¹	373511JA3
2037	3,985,000	4.00	3.53 ¹	373511JB1
2038	4,145,000	4.00	3.60 ¹	373511JC9
2039	4,315,000	4.00	3.65 ¹	373511JD7

¹ Priced to first optional redemption date of June 15, 2029.

² CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Series 2019 Bonds. Neither the Issuer nor the Underwriters are responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2019 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2019 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2019 Bonds.

No dealer, broker or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series 2019 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Series 2019 Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Information contained herein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation of, the Underwriters. Expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the Company, the Participating Constituent Institutions, the Board of Regents or the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

The Series 2019 Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance on exemptions contained in such Acts.

In making an investment decision, investors must rely on their own examination of the Company, the Participating Constituent Institutions, the Issuer, the Board of Regents and the State of Georgia and the terms of the offering, including the merits and risks involved. The Series 2019 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. Neither the delivery of this Official Statement nor the sale of any of the Series 2019 Bonds implies that the information herein is correct as of any time subsequent to the date hereof.

No registration statement relating to the Series 2019 Bonds has been filed with the Securities and Exchange Commission (the "SEC") or with any state securities agency. The Series 2019 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 CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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OFFICIAL STATEMENT

\$58,395,000

**Georgia Higher Education Facilities Authority
Refunding Revenue Bonds
(USG Real Estate Foundation II, LLC Projects),
Series 2019**

INTRODUCTION

General

This Official Statement, including the cover page and Appendices, is furnished in connection with the offering of \$58,395,000 in aggregate principal amount of Georgia Higher Education Facilities Authority Refunding Revenue Bonds (USG Real Estate Foundation II, LLC Projects), Series 2019 (the “Series 2019 Bonds”). Capitalized terms used in this Official Statement and not otherwise defined herein are defined in Appendix B – “DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS.”

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 2019 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, including the Appendices hereto.

Background

The Issuer previously issued its Revenue Bonds (USG Real Estate Foundation II, LLC Project), Series 2009A in the original aggregate principal amount of \$100,850,000 and currently outstanding in the aggregate principal amount of \$68,000,000 (the “Series 2009A Bonds”). The proceeds of the Series 2009A Bonds were applied to:

- (a) finance the acquisition, construction and equipping of an approximately 722-bed student housing facility and an approximately 16,392 square foot dining hall and site amenities on the Marietta, Georgia campus of Kennesaw State University (“KSU”), formerly the campus of Southern Polytechnic State University prior to its consolidation with KSU (the “KSU Project”);
- (b) finance the acquisition, construction and equipping of an approximately 102,850 square foot student recreation center and site amenities on the campus of Columbus State University (“CSU”) located in Columbus, Georgia (the “CSU Project”); and
- (c) finance the acquisition, construction and equipping of an approximately 75,590 square foot student center and site amenities on the campus of Bainbridge State College in Bainbridge, Georgia (the “Bainbridge State College Project”). On July 12, 2018, the hereinafter defined Company sold its interest in the Bainbridge State College Project as described below.

KSU and CSU collectively are the “Participating Constituent Institutions” and each individually is a “Participating Constituent Institution.” The KSU Project and the CSU Project collectively are the “Projects” and each individually is a “Project.”

The Series 2009A Bonds were issued pursuant to a Trust Indenture dated as of July 1, 2009 (the “Original Indenture”) between the Issuer and Wells Fargo Bank, National Association, as trustee (the

“Trustee”). The proceeds of the sale of the Series 2009A Bonds were loaned to USG Real Estate Foundation II, 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 July 1, 2009 (the “Original Loan Agreement”) between the Issuer and the Company for the purpose of financing the costs of the Projects and the Bainbridge State College Project. The Company agreed in the Original Loan Agreement to issue multiple promissory notes, each in an amount allocable to each particular Project and the Bainbridge State College Project (collectively, the “Original Promissory Notes” and each individually, an “Original Promissory Note”) to the Issuer, which collectively obligated the Company to pay amounts calculated to be sufficient to enable the Issuer to pay the principal of and interest on the Series 2009A Bonds when due.

On July 12, 2018, the Company sold its interest in the Bainbridge State College Project and applied the proceeds from such sale to prepay the Original Promissory Note related to the Bainbridge State College Project. The Issuer applied such prepayment to defease the portion of the outstanding Series 2009A Bonds in the principal amount of \$18,805,000 allocable to the Bainbridge State College Project pursuant to the terms of an Escrow Deposit Agreement dated July 12, 2018 among the Issuer, the Company and Wells Fargo Bank, National Association, as escrow agent.

Purpose

The proceeds of the Series 2019 Bonds, together with moneys transferred from the Bond Fund and the Debt Service Reserve Fund created under the Original Indenture to the hereinafter defined Escrow Fund, will be used by the Company for the purpose of providing funds to (a) pay when due and refund all of the outstanding Series 2009A Bonds and (b) pay the costs of issuance of the Series 2019 Bonds. See “PLAN OF FINANCING” herein.

The Series 2019 Bonds are being issued pursuant to the Original Trust Indenture, as amended and supplemented by a First Supplemental Trust Indenture dated as of March 1, 2019 (collectively, the “Indenture”), between the Issuer and the Trustee. The proceeds of the sale of the Series 2019 Bonds will be loaned to the Company pursuant to the terms and provisions of the Original Loan Agreement, as amended and supplemented by a First Amendment to Loan Agreement, dated as of March 1, 2019 (collectively, the “Loan Agreement”), between the Issuer and the Company. The Company will agree in the Loan Agreement to amend and restate the Original Promissory Notes related to CSU Project and the KSU Project (collectively, the “Promissory Notes” and each individually, a “Promissory Note”) in favor of the Issuer, which will obligate the Company to pay amounts calculated to be sufficient to enable the Issuer to pay the principal of and interest on the Series 2019 Bonds when due.

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, Section 20-16-1 *et seq.*, as amended, Official Code of Georgia Annotated (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 of Georgia” or “University System”) and all of the 26 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 three separate (one for the CSU Project, and two for the KSU Project) but substantially similar Ground Leases each dated as of July 23, 2009 (the “Ground Leases”) between the Board of Regents and the Company. See “SECURITY FOR THE SERIES 2019 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

The Projects will be refinanced with the proceeds of the Series 2019 Bonds. See Appendix A – “INFORMATION REGARDING EACH PARTICIPATING CONSTITUENT INSTITUTION” hereto.

Pursuant to two separate (one for the CSU Project and one for the KSU Project) but substantially similar Rental Agreements each dated as of July 23, 2009, as amended in 2010 and as further amended and supplemented by a Second Amendment to Rental Agreement to be dated on or prior to the date of issuance of the Series 2019 Bonds, each between the Company and the Board of Regents (collectively, the “Rental Agreements” and each individually, a “Rental Agreement”), the Company rents the Projects to the Board of Regents for use by the related Participating Constituent Institution. Each Rental Agreement may be renewed annually at the discretion of the Board of Regents. Each of the Rental Agreement obligates the Board of Regents to make fixed rental payments for the use and occupancy of the related Project in amounts that the Company has determined 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 2019 BONDS” herein.

Trustee

Wells Fargo Bank, National Association has been designated as Trustee for the Series 2019 Bonds. The designated corporate trust office of the Trustee is 123 South Broad Street, Suite 1500, Philadelphia, Pennsylvania 19109, Attention: Corporate Trust Services.

Security for the Series 2019 Bonds

General. The Series 2019 Bonds and any Additional Bonds as defined in the Indenture (collectively, the “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 the CSU Project and the KSU Project, respectively, each dated as of July 1, 2009, 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 March 1, 2019, from the Company in favor of the Issuer (collectively, the “Security Deeds” and each individually, a “Security Deed”); (d) moneys and securities held in any and all funds created under the Indenture (except the Rebate Fund); and (e) 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 2019 BONDS” herein.

***Promissory Notes.* Each Promissory Note will be in the principal amount of the Series 2019 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.

***Security Deeds.* Pursuant to each Security Deed, the Company has (a) granted to the Issuer a first lien on and first security title to its leasehold interest in certain real property constituting the CSU Project and the KSU Project, respectively, (b) assigned and pledged to the Issuer the Company’s interest in certain rents and leases derived from the related Project, and (c) granted 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 have been assigned by the Issuer to the Trustee. Prospective investors should regard each Security Deed as collateral for only the related Promissory Note.**

Each Promissory Note and the related Security Deed will not be cross-collateralized or cross-defaulted with any other Promissory Note or Security Deed. 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 2019 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. The Trustee will be permitted to exercise remedies under a Security Deed only in the event of a payment default under the related Promissory Note, or a covenant breach under that particular Security Deed.

Description of the Series 2019 Bonds

***Redemption.* The Series 2019 Bonds are subject to redemption prior to their stated maturity. See “THE SERIES 2019 BONDS” herein.**

***Denominations.* The Series 2019 Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. See “THE SERIES 2019 BONDS” herein.**

***Registration, Transfers and Exchanges.* The Series 2019 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 2019 Bonds purchased. Beneficial ownership may be transferred by entries made on the books of direct and indirect participants of DTC. See “THE SERIES 2019 BONDS” herein and Appendix G – “BOOK-ENTRY ONLY SYSTEM” hereto.**

***Payments.* Interest on the Series 2019 Bonds is payable on June 15 and December 15 of each year (each such date, an “Interest Payment Date”), commencing June 15, 2019. Payment of the principal**

of and interest on Series 2019 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 2019 Bonds. See “THE SERIES 2019 BONDS” herein and Appendix G hereto.

For a more complete description of the Series 2019 Bonds, see “THE SERIES 2019 BONDS” herein.

Tax Exemption

In the opinion of Bond Counsel, under existing law, interest on the Series 2019 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 taxpayers other than 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 2019 Bonds. For a more complete discussion of such opinion and certain other tax consequences of owning the Series 2019 Bonds, including certain exceptions to the exclusion of the interest on the Series 2019 Bonds from gross income, see “TAX MATTERS” herein.

Professionals Involved in the Offering

Citigroup Global Markets Inc. 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 2019 Bonds. Public Resources Advisory Group, New York, New York (“PRAG”) is serving as financial advisor to the Issuer in connection with the issuance of the Series 2019 Bonds.

Certain legal matters pertaining to the issuance of the Series 2019 Bonds are subject to the approving opinion of Nelson Mullins Riley & Scarborough LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed on for the Issuer by its counsel, Nelson Mullins Riley & Scarborough 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, Kutak Rock LLP, Atlanta, Georgia.

The various legal opinions to be delivered concurrently with the delivery of the Series 2019 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 Series 2019 Bonds

The Series 2019 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 2019 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 March 27, 2019.

Continuing Disclosure Undertaking

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 2019 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 2019 Bonds as described below, and the Issuer will have no liability to the beneficial owners of the Series 2019 Bonds or any other person with respect to such disclosures.

The Company has covenanted in a Disclosure Dissemination Agent Agreement dated as of the date of issuance and delivery of the Series 2019 Bonds (the “Disclosure Agreement”) between the Company and Digital Assurance Certification, L.L.C. 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 Agreement. 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 Agreement 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 2009A Bonds. The Company’s affiliates also have entered into continuing disclosure certificates in connection with the issuance of other bonds. 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. Except as described above in this paragraph, the Company has complied in all material respects with its existing continuing disclosure undertakings pursuant to the Rule during the past five years.

Bondholders’ Risks

There are certain considerations and risks relating to an investment in the Series 2019 Bonds, which are set forth in this Official Statement under the caption “INVESTMENT CONSIDERATIONS” and which should be reviewed carefully by prospective purchasers of the Series 2019 Bonds. See “INVESTMENT CONSIDERATIONS” herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

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 2019 Bonds, the Projects, the Indenture, the Loan Agreement, the Promissory Notes, the Ground

Leases, the Security Deeds, the Rental Agreements, the Disclosure Agreement and the security and sources of payment for the Series 2019 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes and 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 2019 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 123 South Broad Street, Suite 1500, Philadelphia, Pennsylvania 19109, Attention: Corporate Trust Services. During the period of offering of the Series 2019 Bonds copies of such documents are available, upon request and upon payment of a charge for copying, mailing and handling, from Citigroup Global Markets Inc., 3455 Peachtree Road, Suite 620, Atlanta, Georgia 30326, Attention: Bryce Holcomb; telephone: (404) 842-2435.

THE ISSUER

The Issuer is a public body corporate and politic and was created pursuant to the laws of the State, 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 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 captions “THE ISSUER” and “LITIGATION – The Issuer” and “LITIGATION – 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:

<u>Name</u>	<u>Expiration of Term¹</u>
Teresa MacCartney, Chair	June 30, 2019
Tommy David, Vice Chair	June 30, 2020
Richard A. Anderson	June 30, 2019
Gary Bishop	June 30, 2019
Don L. Waters	June 30, 2018

¹ Pursuant to the Act, members of the Issuer whose terms have expired continue to serve until the appointment of a successor.

THE SERIES 2019 BONDS

General

The Series 2019 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 2019 Bonds will be issuable in the denomination of \$5,000 or any integral multiple thereof.

The Series 2019 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 2019 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 2019 Bond is authenticated (unless such payment of interest is in default, in which case such Series 2019 Bond will bear interest from the date to which interest has been paid).

Book-Entry Only System

The Series 2019 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 2019 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 2019 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2019 Bonds, references in this Official Statement to the owners of the Series 2019 Bonds will mean DTC or its nominee and will not mean the Beneficial Owners. So long as DTC or its nominee is the registered owner of the Series 2019 Bonds, payments of principal of and interest on the Series 2019 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 2019 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 2019 Bonds will be made in accordance with the provisions of the Indenture.

Special Limited Obligations

THE SERIES 2019 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 2019 BONDS ARE PAYABLE BY THE ISSUER SOLELY FROM THE TRUST ESTATE PLEDGED TO THE PAYMENT THEREOF UNDER THE INDENTURE. NO OWNER OF THE SERIES 2019 BONDS WILL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE TO PAY THE SERIES 2019 BONDS OR THE INTEREST THEREON OR ANY OTHER COST RELATING THERETO OR TO ENFORCE PAYMENT THEREOF AGAINST ANY PROPERTY OF THE STATE. THE SERIES 2019 BONDS WILL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

Optional Redemption of Series 2019 Bonds

The Series 2019 Bonds maturing on and after June 15, 2030 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, 2029, at the redemption price of 100% of the principal amount being redeemed plus accrued interest to the redemption date, without premium.

Extraordinary Redemption of Series 2019 Bonds

The Series 2019 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 the Projects 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 the Projects 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, the Bonds will be redeemed as directed in writing by the Company and if less than all of the Bonds of a maturity are to be redeemed, the particular Bonds or portions thereof of such series to be redeemed within a maturity will 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 will execute and the Trustee will 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, notice thereof identifying the Bonds or portions thereof to be redeemed will 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 (5th) 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, will not affect the validity of any proceedings for the redemption of any other Bonds. Each notice will specify the CUSIP numbers of the Series 2019 Bonds being called, the portion of the Series 2019 Bonds being called if less than all of the Series 2019 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 will 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 will 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 will not have been so received, the notice will be of no force and effect and the Issuer will not be required to redeem such Bonds and such Bonds will 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 will 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 will 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 will 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 CSU Project or the KSU Project 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 will 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 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 must 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 must 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) must 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 must 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 must 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.

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

SECURITY FOR THE SERIES 2019 BONDS

General

Trust Estate. The Series 2019 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) moneys and securities held in any and all funds created under the Indenture (except the Rebate Fund) and (e) 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 lent the proceeds derived from the sale of the Series 2009A Bonds to the Company and will lend the proceeds derived from the sale of the Series 2019 Bonds to the Company, and the Company agreed and 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 and interest on the Series 2019 Bonds. **Each Promissory Note will be in the principal amount of the Series 2019 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.**

Security Deeds. Pursuant to each Security Deed, the Company has (a) granted to the Issuer a first lien on and first security title to its leasehold interest in certain real property constituting the CSU Project and the KSU Project, respectively, (b) assigned and pledged to the Issuer the Company's interest in certain rents and leases derived from the related Project, and (c) granted 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.**

In connection with the issuance of the Series 2009A Bonds, a Title Insurance Policy was delivered in the amount of the principal amount of each Promissory Note to insure that the Trustee has 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, and a mortgage modification endorsement of each Title Insurance Policy will be delivered on or prior to the date of issuance of the Series 2019 Bonds.

Each Promissory Note and the related Security Deed will not be cross-collateralized or cross-defaulted with any other Promissory Note or Security Deed. 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 2019 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. The Trustee will be permitted to exercise remedies under a Security Deed only in the event of a payment default under the related Promissory Note, or a covenant breach under that particular Security Deed.

A summary of selected provisions of the Indenture, the Loan Agreement, the Promissory Notes 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 CSU Project or the KSU Project, respectively, is located for a term ending on June 30, 2039. Each Ground Lease is renewable for an additional five-year term in limited circumstances. None of the Ground Leases will be amended to reduce the footprint of the real property on which each Project is located. A copy of each Ground Lease is attached to this Official Statement as Appendix F – "COPY OF GROUND LEASES."

Rental Agreements

Under the terms of each Rental Agreement, the Company rents the CSU Project or the KSU Project, respectively, to the Board of Regents on an annually-renewable basis for use by the related Participating Constituent Institution. Assuming the continued annual 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 “INVESTMENT CONSIDERATIONS—Reimbursement Obligations of the Company” herein, and Appendix E – “COPY AND FORM OF RENTAL AGREEMENTS” hereto for a copy of each of the original Rental Agreements and the form of the amendments to the original Rental Agreements.

The current term of each Rental Agreement expires on June 30, 2019. 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, 2039, 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.

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 for subsequent years. 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, 2019 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, 2019 depends in part upon its continuing need for the particular Project and depends in part upon the availability of sufficient funds received by the Board of Regents to make rental payments. See “INVESTMENT CONSIDERATIONS-Limitations on Board of Regents’ Obligations Under Rental Agreements; 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 2019 Bonds may 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 2019 BONDS OR TO CONTINUE TO RENT ANY PROJECT IN A MANNER SUPPORTIVE OF THE CREDITWORTHINESS OF THE SERIES 2019 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 “INVESTMENT CONSIDERATIONS—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 “INVESTMENT CONSIDERATIONS — Reimbursement Obligations of the Company” herein.

For a description of the condemnation and other provisions of each Rental Agreement, see Appendix E – “COPY AND FORM OF RENTAL AGREEMENTS” hereto.

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 2019 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 – “DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS” hereto.

Covenants

The Company has agreed in the Loan Agreement and the Security Deeds to various operational and financial covenants and restrictions upon itself, 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 – “DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS” 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 2019 Bonds under the Indenture. See “THE SERIES 2019 BONDS - Issuance of Additional Bonds” herein and “THE INDENTURE - Issuance of Additional Bonds” in Appendix B - “DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS” hereto.

PLAN OF FINANCING

Sources and Uses of Funds

The proceeds to be derived from the sale of the Series 2019 Bonds are expected to be applied substantially as follows:

Sources:

Principal Amount of Series 2019 Bonds	\$58,395,000.00
Net Original Issue Premium	7,052,401.45
Moneys Transferred from Accounts in Surplus Fund and Debt Service Reserve Fund Under the Indenture	3,744,805.72
Cash Payment from Company	<u>931,313.84</u>
Total	<u>\$70,123,521.01</u>

Uses:

Deposit to Escrow Fund for Series 2009A Bonds	\$69,466,582.39
Costs of Issuance ⁽¹⁾	<u>656,938.62</u>
Total	<u>\$70,123,521.01</u>

(1) Includes rating agency fees, legal and accounting fees, initial Trustee's fees, printing costs, validation court costs, underwriting discount and other costs of issuance.

Plan of Refunding

A portion of the proceeds of the Series 2019 Bonds, together with moneys transferred from the Bond Fund and the Debt Service Reserve Fund created under the Original Indenture, will be used for the purpose of paying when due and refunding all of the outstanding Series 2009A Bonds. To refund and defease the Series 2009A Bonds, a portion of the proceeds of the Series 2019 Bonds will be used to purchase certain Government Obligations as defined in Appendix B – “DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS” (the “Defeasance Securities”) or held as cash. The principal of and interest on the Defeasance Securities, when due, plus cash will be sufficient to pay, when due, the principal of and interest on the Series 2009A Bonds when due through and including the redemption date. The Defeasance Securities and cash will be deposited with Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”) and will be held in trust and utilized by the Escrow Agent in accordance with the provisions of an Escrow Deposit Agreement (the “Escrow Agreement”) to be entered into among the Company, the Escrow Agent and Wells Fargo Bank, National Association in its capacity as the paying agent for the Series 2009A Bonds and the Trustee. Such deposits will be made into the Escrow Fund (the “Escrow Fund”) created under the Escrow Agreement. Upon such deposits, which will be made upon the delivery of the Series 2019 Bonds, the Series 2009A Bonds will be deemed paid and no longer outstanding under the Indenture. See “VERIFICATION” herein.

The Series 2009A Bonds maturing on June 15, 2019 will be paid when due. The Series 2009A Bonds maturing on and after June 15, 2020 will be called for redemption on June 15, 2019 at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Description of the Projects

CSU Project. A portion of the proceeds of the Series 2009A Bonds were used to finance the acquisition, construction and equipping of an approximately 102,850 square foot student recreation center and site amenities located on an approximately 1.745-acre site on the campus of CSU in Columbus, Georgia. The recreation center includes a gymnasium, a fitness center, a natatorium and other multipurpose rooms. The CSU Project was completed in January 2011.

KSU Project. A portion of the proceeds of the Series 2009A Bonds were used to finance the acquisition, construction and equipping of an approximately 722-bed student housing facility and an approximately 16,392 square foot dining hall and site amenities located on an approximately 3.605-acre site on the campus of KSU in Marietta, Georgia. The KSU Project was completed in August 2010.

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 interest payment requirements with respect to the Series 2019 Bonds are as follows:

Period Ending <u>June 15</u>	Series 2019 Bonds <u>Principal</u>	Series 2019 Bonds <u>Interest</u>	Total Annual <u>Debt Service</u>
2019		\$ 583,440	\$ 583,440
2020	\$ 1,795,000	2,692,800	4,487,800
2021	1,880,000	2,603,050	4,483,050
2022	1,975,000	2,509,050	4,484,050
2023	2,070,000	2,410,300	4,480,300
2024	2,175,000	2,306,800	4,481,800
2025	2,280,000	2,198,050	4,478,050
2026	2,400,000	2,084,050	4,484,050
2027	2,520,000	1,964,050	4,484,050
2028	2,640,000	1,838,050	4,478,050
2029	2,775,000	1,706,050	4,481,050
2030	2,915,000	1,567,300	4,482,300
2031	3,055,000	1,421,550	4,476,550
2032	3,210,000	1,268,800	4,478,800
2033	3,310,000	1,172,500	4,482,500
2034	3,475,000	1,007,000	4,482,000
2035	3,645,000	833,250	4,478,250
2036	3,830,000	651,000	4,481,000
2037	3,985,000	497,800	4,482,800
2038	4,145,000	338,400	4,483,400
2039	<u>4,315,000</u>	<u>172,600</u>	<u>4,487,600</u>
TOTAL	<u>\$58,395,000</u>	<u>\$31,825,890</u>	<u>\$90,220,890</u>

THE COMPANY AND THE FOUNDATION

Company

The Company was organized on March 27, 2009 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 the Bainbridge State College Project and renting the Projects and the Bainbridge State College Project 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 “INVESTMENT CONSIDERATIONS-Operating History” and “INVESTMENT CONSIDERATIONS-Limited Assets of the Company” herein. The Company sold and no longer owns the Bainbridge State College Project. See “INTRODUCTION-Background” herein.

Foundation

The sole member of the Company and the Manager is the Foundation. The Foundation is a nonprofit corporation organized and existing under the laws of the State and has received a determination from the Internal Revenue Service 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 currently is managed by a 19-member Board of Trustees.

THE FOUNDATION HAS NO OBLIGATION TO PAY DEBT SERVICE ON THE SERIES 2019 BONDS OR THE PROMISSORY NOTES. IN ANY ACTION OR PROCEEDING BROUGHT WITH RESPECT TO THE SERIES 2019 BONDS, THE PROMISSORY NOTES, THE LOAN AGREEMENT, THE PROJECTS OR THE SECURITY DEEDS, NO DEFICIENCY OR OTHER MONEY JUDGMENT WILL BE ENFORCED AGAINST THE FOUNDATION. ANY JUDGMENT OBTAINED WILL NOT BE ENFORCED AGAINST THE FOUNDATION OR ANY OFFICER, TRUSTEE OR AGENT OF THE FOUNDATION OR ANY SUCCESSOR OR ASSIGN OF THE FOUNDATION.

THE BOARD OF REGENTS

THE BOARD OF REGENTS HAS NO LEGAL OR MORAL OBLIGATION WITH RESPECT TO THE SERIES 2019 BONDS OR TO CONTINUE TO RENT THE PROJECTS IN A MANNER SUPPORTIVE OF THE CREDITWORTHINESS OF THE SERIES 2019 BONDS.

All of the information concerning the Board of Regents contained in this Official Statement has been obtained by the Company from publicly available sources, and the Board of Regents has no obligation to the owners of the Series 2019 Bonds to update such information. Neither the Board of Regents nor the Participating Constituent Institutions have made any representation as to the accuracy or completeness of any of the information contained in this Official Statement.

General

The Board of Regents is a constitutional body of the State of Georgia. It governs, controls and manages all of the 26 public institutions of higher education within the University System. The Board of Regents receives appropriations from the State of Georgia in a lump sum, based upon an enrollment-driven formula for the University System of Georgia. The Board of Regents then allocates the funds to member institutions of the University System of Georgia.

Members

The 19 members of the Board of Regents are appointed by the Governor of the State and confirmed by the Senate on a rotating basis to serve seven-year terms. The Board of Regents is composed of one member from each of the State's 14 congressional districts and additional members appointed from the state-at-large. The Board of Regents conducts its operations through its staff and 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, including the incumbent, have served as Chancellor.

The current Chancellor, Dr. Steve W. Wrigley, began his tenure on January 1, 2017. Immediately prior to his appointment as Chancellor, Dr. Wrigley served as Executive Vice Chancellor of Administration for the University System from June 2011 through December 2016, and in such capacity, he oversaw the day-to-day operations of the University System's budget, facilities, information technology services, human resources, legal affairs and strategic planning units. Dr. Wrigley formerly

served as Senior Vice President for External Affairs and Vice President for Government Relations for the University of Georgia. He also served as Director of the Carl Vinson Institute of Government. Prior to his work in the University System, Dr. Wrigley worked in state government in Georgia, including five years as chief of staff to former Governor Zell Miller. Dr. Wrigley earned his undergraduate degree from Georgia State University and his doctorate in history from Northwestern University in Evanston, Illinois.

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

<u>Regents</u>	<u>District</u>	<u>Term</u>
C. Dean Alford	Fourth District	January 1, 2012 – January 1, 2019 ¹
Chris Cumiskey	At-Large	April 18, 2018 – January 1, 2020
W. Allen Gudenrath	Eighth District	January 1, 2018 – January 1, 2025
Erin Hames	At-Large	January 1, 2018 – January 1, 2023
Bárbara Rivera Holmes	Second District	January 1, 2018 – January 1, 2025
C. Thomas Hopkins, Jr., MD	Third District	January 1, 2018 – January 1, 2025
James M. Hull	At-Large	January 8, 2016 – January 1, 2023
Donald M. Leebern, Jr.	At-Large	January 1, 2012 – January 1, 2019 ¹
Laura Marsh	Twelfth District	June 24, 2016 – January 1, 2020
Neil L. Pruitt, Jr.	Eleventh District	February 10, 2017 – January 1, 2024
Sarah-Elizabeth Reed	Fifth District	February 10, 2017 – January 1, 2024
Sachin Shailendra	Thirteenth District	April 4, 2014 – January 1, 2021
E. Scott Smith	Fourteenth District	January 1, 2013 – January 1, 2020
Kessel Stelling, Jr.	Sixth District	January 9, 2015 – January 1, 2022
Benjamin J. Tarbuton, III	Tenth District	January 1, 2013 – January 1, 2020
Richard L. Tucker	Seventh District	January 1, 2012 – January 1, 2019 ¹
Thomas Rogers Wade, <i>Vice Chair</i>	At-Large	January 1, 2013 – January 1, 2020
Don L. Waters, <i>Chair</i>	First District	January 1, 2018 – December 30, 2024
Philip A. Wilheit, Sr.	Ninth District	January 9, 2015 – January 1, 2022

¹ Continues to serve until a successor is appointed.

University System

The University System consists of the Georgia Archives, the Georgia Public Library Service and 26 institutions: four research universities (Augusta University, Georgia Institute of Technology, Georgia State University and University of Georgia), four comprehensive universities (Georgia Southern University, Kennesaw State University, University of West Georgia and Valdosta State University), nine state universities (Albany State University, Clayton State University, Columbus State University, Fort Valley State University, Georgia College & State University, Georgia Southwestern State University, Middle Georgia State University, Savannah State University and University of North Georgia) and nine state colleges (Abraham Baldwin Agricultural College, Atlanta Metropolitan State College, College of Coastal Georgia, Dalton State College, East Georgia State College, Georgia Gwinnett College, Georgia Highlands College, Gordon State College and South Georgia State College). These institutions enroll more than 328,700 students and employ more than 11,800 faculty and 35,700 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 of Institutions

Beginning in 2012, the Board of Regents began the consolidation of several of its colleges and universities. The purpose of the consolidations is to enable the University System to serve the students and areas of the State more effectively by: increasing opportunities to raise educational attainment; improving accessibility, regional identity, and compatibility; avoiding duplication of academic programs; creating economies of scale and scope; enhancing regional economic development; and, streamlining administrative services.

The most recent consolidation of Bainbridge State College (“BSC”) and Abraham Baldwin Agricultural College (“ABAC”) was finalized in 2018. As a part of this consolidation, the Board of Regents transferred the technical education mission, land, and facilities of BSC to the Technical College System of Georgia in August 2018. ABAC subsequently sub-leased space on the former BSC campus to continue providing core classes and certain degree programs at the Bainbridge location.

The consolidation initiative reduced the number of University System institutions from a former high of 35 to its current number of 26. All consolidations and transfers have received approval from the Southern Association of Colleges and Schools Commission on Colleges.

Public Private Venture Program

According to the Board of Regents’ Finance Office, as of June 30, 2018, the Board of Regents had 168 rental agreements for lease-revenue financed facilities throughout the University System in the Public Private Venture (“PPV Program”). As of June 30, 2018, the total outstanding principal amount of bonds that are secured by PPV Program capital leases with the Board of Regents was approximately \$3.12 billion.

On November 13, 2012, the Board of Regents adopted three policy additions and one policy revision that governs the University System’s PPV Program. These policies (a) set a maximum capital liability capacity of 5% of annual revenues for the University System as a whole, (b) establish a 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 the students live in on-campus housing or changing an existing residency policy and gives the Chancellor 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 the Rental Agreements) that may be deficient because of unforeseen events that negatively affect 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 amount on deposit in the Capital Liability Reserve Fund fluctuates depending upon the amount of PPV debt outstanding at any given time. Contributions are generally eight percent of the highest annual lease payments for auxiliary projects. The Capital Liability Reserve Fund currently is funded in an amount equal to approximately \$20.01 million. Loans to institutions from the Capital Liability Reserve Fund must be requested by the institution president and chief business officer. For more information, see http://www.usg.edu/business_procedures_manual/section25/C2459.

Funding for the University System

The Constitution of the State of Georgia requires that all appropriations made for the use of any or all institutions in the University System be paid to the Board of Regents in a lump sum with the power and authority residing in the Board of Regents to allocate and distribute the appropriations among the institutions under its control in such way and manner and in such amounts as will further 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 by the General Assembly, the Board of Regents receives a lump sum amount of funding for the University System. The Board of Regents then allocates and disburses these funds to the individual institutions. These allocations are 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 manage 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 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.

The Georgia General Assembly's final budgeted appropriation of State funds for the University System for the fiscal year ended June 30, 2015 was \$1,944,621,492, an increase of 3.1% as compared to the original budgeted appropriation for fiscal year 2014. The original budgeted appropriation of State funds for the University System for the fiscal year ending June 30, 2016 was \$2,020,395,691, an increase of 3.9% as compared to the amended budgeted appropriation for the fiscal year ended June 30, 2015. The final amended appropriation of State funds for the University System for the fiscal year ending June 30, 2016 included one-time funding for a capital project and was increased to \$2,025,395,691, an increase of 0.25% as compared to the original budgeted appropriation for the fiscal year ending June 30, 2016. The General Assembly appropriated \$2,145,702,074 in State funds for the University System for fiscal year 2017, of which \$8 million was dedicated for capital repairs. The operating funds appropriation of \$2,137,702,074 represents a 5.5% increase over the original budgeted appropriation for fiscal year 2016. On February 15, 2017, the Governor signed the Amended Fiscal Year 2017 Appropriations Act which increased the appropriation to the Board of Regents from State general funds for fiscal year 2017 by \$7,265,348 to \$2,152,967,422, an increase of 0.3% as compared to the original budgeted amount. On March 22, 2017, the General Assembly approved legislation that increased the budgeted amount of State funds to be appropriated to the Board of Regents for fiscal year 2018 by \$152,118,554 or 7.1% as compared to the amended budgeted amount for fiscal year 2017 for a total appropriation to the Board of Regents for fiscal year 2018 of \$2,305,085,976. The General Assembly budgeted an appropriation to the Board of Regents of \$2,428,245,232 for fiscal year 2019. On May 2, 2018, the Governor signed this appropriations legislation. The amended budgeted appropriation of State funds for the University System for the fiscal year ending June 30, 2019 proposed by the Governor was increased to \$2,441,831,486, an increase of 0.56% as compared to the original budgeted appropriation for the fiscal year ending June 30, 2019. This amended budgeted appropriation for the fiscal year ending June 30, 2019 has not been approved by the Georgia General Assembly yet, and the Georgia General Assembly may increase or decrease such amount as it deems appropriate.

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 a future General Assembly will continue to make appropriations as 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 the Rental Agreements, whether due to declining appropriations from the State, reduced need for the property rented by the Board of Regents, declining enrollment at the Participating Constituent Institutions or other reasons.

Teachers Retirement System and Optional Retirement Plan

The Georgia General Assembly created the University System's Optional Retirement Plan ("ORP"), a defined contribution retirement plan, in 1990 pursuant to the Regents Retirement Plan Act (Section 47-21-1 *et seq.*, Official Code of Georgia Annotated). The Regents Retirement Plan Act allowed eligible employees of the University System with less than 10 years of service to leave the Teachers Retirement System of Georgia ("TRS"), a defined benefit plan, and participate in the ORP, and thereafter, allowed and allows eligible new employees of the University System to elect to participate in either the TRS or the ORP.

Section 47-21-5 of the Regents Retirement Plan Act states that the University System shall remit to TRS certain amounts determined by the board of directors of TRS as described in such code section – an unfunded accrued liability payment and an amount equal to the increase in the normal contribution rate. The University System made these payments following the inception of ORP until 2001 when TRS determined that these payments were no longer required following receipt of a letter dated May 17, 2001, from the TRS actuary stating – “we recommend permanently ceasing the ORP accrued liability contribution to TRS,” and subsequently not requesting any payments from the University System pursuant to Section 47-21-5 of the Regents Retirement Plan Act. Legislation has been introduced in the current session of the Georgia General Assembly to repeal Section 47-21-5 of the Regents Retirement Plan Act.

On February 22, 2019, the Georgia Department of Audits and Accounts (“DOAA”) released a report recommending that TRS calculate and bill the University System pursuant to Section 47-21-5 of the Regents Retirement Plan Act for fiscal year 2019 and future fiscal years. The DOAA asserts that TRS should be collecting approximately \$170 million from the University System for fiscal year 2019 in accordance with DOAA's interpretation of Section 47-21-5 of the Regents Retirement Plan Act.

In a letter dated February 15, 2019 from the Chancellor of the University System to the State Auditor responding to a discussion draft of the DOAA report, the Chancellor disputed and disagreed with the DOAA report's conclusions and recommendations. The board of directors of TRS has not publicly addressed the DOAA's report.

There can be no assurance that the board of directors of TRS will continue its practice of “permanently ceasing the ORP accrued liability contribution to TRS,” nor can there can be any assurance that the Georgia General Assembly will repeal Section 47-21-5 of the Regents Retirement Plan Act. Should the TRS change the practice it has followed since 2001 of “permanently ceasing the ORP accrued liability contribution to TRS,” and assert that the University System owes TRS additional payments pursuant to Section 47-21-5 of the Regents Retirement Plan Act for the current and future fiscal years, the University System will work with the executive and legislative branches of the State, as appropriate, to meet any legal obligation created by such action, and the University System expects that any such payments to TRS will not have a material adverse impact on the University System's financial condition.

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 fiscal years ended June 30, 2015 through June 30, 2018 and budgeted for the fiscal year ending June 30, 2019.

	Fiscal Year Ended or Ending June 30,				
	2015	2016	2017	2018	2019 ⁽¹⁾
University System of Georgia	<u>\$1,944,621,492</u>	<u>\$2,025,395,691</u>	<u>\$2,152,967,422</u>	<u>\$2,305,085,976</u>	<u>\$2,441,831,486</u>

⁽¹⁾ Budgeted amount.

Source: Georgia Governor's Office of Planning and Budget – Fiscal Years 2015-2019.

State Treasury Receipts

The following table sets forth by category the budget-based State Treasury Receipts available for appropriation by the State for the five fiscal years ended June 30, 2014 through June 30, 2018.

	Fiscal Year Ended or Ending June 30,				
	2014	2015	2016	2017	2018
Alcoholic Beverages Tax	\$ 181,874,583	\$ 184,373,811	\$ 190,536,391	\$ 193,437,999	\$ 195,696,036
Estate Tax	--	--	(414,376)	--	--
Income Tax – Corporate	943,806,441	1,000,536,425	981,002,336	971,840,713	1,004,297,542
Income Tax – Individual	8,965,572,421	9,678,524,026	10,439,533,668	10,977,729,901	11,643,861,634
Insurance Premium Tax and Fees	372,121,805	419,653,207	428,699,713	480,154,181	505,054,096
Motor Fuel Taxes	1,006,493,364	1,025,819,044	1,655,027,765	1,740,963,444	1,801,686,711
Motor Vehicle License Tax	337,455,825	339,611,871	368,005,068	368,131,657	398,498,915
Title Ad Valorem Tax	741,933,576	828,133,775	939,049,156	979,494,484	915,854,817
Property Tax – General and Intangible	38,856,854	26,799,138	14,078,425	376,096	606,083
Sales and Use Tax – General	5,125,501,785	5,390,353,066	5,480,196,159	5,715,917,830	5,945,877,598
Tobacco Products Tax	<u>216,640,134</u>	<u>215,055,115</u>	<u>219,870,413</u>	<u>220,773,541</u>	<u>224,910,392</u>
Total Taxes	\$17,930,256,788	\$19,108,859,478	\$20,715,584,718	\$21,648,819,846	\$22,636,343,824
Total Interest, Fees and Sales	<u>1,237,549,855</u>	<u>1,325,883,555</u>	<u>1,521,807,881</u>	<u>1,624,124,202</u>	<u>1,683,525,452</u>
Total State General Fund Receipts	19,167,806,643	20,434,743,033	22,237,392,599	23,272,944,048	24,319,869,276
Total Other Revenues Retained ⁽¹⁾	<u>1,088,958,852</u>	<u>1,122,755,508</u>	<u>1,239,572,292</u>	<u>1,246,458,143</u>	<u>1,329,629,985</u>
Total State Treasury Receipts	<u>\$20,256,765,495</u>	<u>\$21,557,498,541</u>	<u>\$23,476,964,891</u>	<u>\$24,519,402,190</u>	<u>\$25,649,499,261</u>

⁽¹⁾ "Total Other Revenues Retained" includes Federal Revenue, Lottery Funds, Tobacco Settlement Funds, Guaranteed Revenue Debt Common Reserve Fund Interest Earnings, Brain and Spinal Injury Trust Fund, Job and Growth Tax Relief, National Mortgage Settlement Funds and Other.

Note: Amounts may not add precisely due to rounding

Source: State Accounting Office – Fiscal Years 2014-2018.

Student Financial Aid

The State, through the Georgia Student Finance Commission, offers the Helping Outstanding Pupils Educationally ("HOPE") Program to financially assist qualified Georgia residents in the pursuit of a post high school education. Revenues from the Georgia Lottery for Education fund all HOPE Program assistance. The HOPE Program offers the HOPE Scholarship and the Zell Miller Scholarship to qualified undergraduate students enrolled in Georgia public and private universities and colleges. Since the HOPE Program began in 1993, more than \$8 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 the HOPE Program and by allowing students who have lost HOPE Scholarship eligibility to subsequently regain eligibility only one time. The HOPE Scholarship also ceased awarding scholarships

for the full tuition amount and no longer pays for mandatory student fees or books. Instead, the HOPE Scholarship pays a per credit hour amount at a rate determined by the State.

In 2016, Georgia's General Assembly further modified various provisions regarding the HOPE Program pursuant to House Bill 801. This legislation included certain changes to encourage students to enroll in academically rigorous courses in science, technology, engineering and mathematics, and requires that the HOPE Scholarship amount be a flat percentage of tuition at all schools. The legislation became effective beginning with students graduating from high school on or after May 1, 2017.

INVESTMENT CONSIDERATIONS

Investment in the Series 2019 Bonds involves certain risks. The following is a discussion of certain risk factors which should be considered in evaluating the investment suitability of the Series 2019 Bonds. This discussion does not purport to be either comprehensive or definitive. The order in which the risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there may be other risks associated with an investment in the Series 2019 Bonds in addition to those set forth herein.

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

The Board of Regents has the option to renew each of the Rental Agreements on a year-to-year basis through at least the final maturity of the Series 2019 Bonds. The Company believes that the CSU Project and the KSU Project will aid the Participating Constituent Institutions in fulfilling their educational missions and that it is likely that the Board of Regents will renew each of the Rental Agreements for successive renewal terms throughout the term of the Series 2019 Bonds; however, the renewal of each of the Rental Agreements 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 Board of Regents will deem it in its best interests to continue to occupy and utilize all or any portion of each Project for the entire term of the Series 2019 Bonds. There also can be no assurance that the Board of Regents will continue to renew each of the Rental Agreements for each renewal term throughout the term of the Series 2019 Bonds. The likelihood that any of the Rental Agreements will be renewed will depend upon, among other things, the continuing need of the Board of Regents for the related Project, the availability of sufficient funds received by the Board of Regents to make rental payments and the Board of Regents not substituting more desirable rental space for all or any portion of 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 2019 Bonds.

THE BOARD OF REGENTS HAS NO LEGAL OR MORAL OBLIGATION WITH RESPECT TO THE SERIES 2019 BONDS OR TO CONTINUE TO RENT ANY PROJECT IN A MANNER SUPPORTIVE OF THE CREDITWORTHINESS OF THE SERIES 2019 BONDS.

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 then will 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. Should the State's revenues and other sources of funds available to pay expenditures decline, it may be necessary for the current or a future General Assembly to reduce appropriations to the Board of Regents, which, in turn, may impact the Board of Regents' decision to renew all or any of the Rental Agreements.

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 also is 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 related Participating Constituent Institution in the applicable fiscal year for such purposes, which budget is subject to annual review and modification by the Board of Regents.

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 – "DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS" hereto.

Condemnation/Casualty Risk of Rent Abatement

The Board of Regents has the right to terminate each of the Rental Agreements or to reduce 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 Agreements 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.

Limited Operating History

The Company was formed in 2009 and has no operating history other than with respect to the Projects and the Bainbridge State College Project. The Company is relying upon the Board of Regents' agreement 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 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 2019 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 such 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.

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), 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 2019 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 2019 Bonds, and the Series 2019 Bonds are not cross-defaulted against any Promissory Note. Each Security Deed secures only 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 2019 BONDS—Extraordinary Redemption of Series 2019 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 such 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.

The realization of value from the pledge of the collateral under the Indenture and the Security Deeds upon any default will depend upon the exercise of various remedies specified by the Indenture and the Security Deeds. These and other remedies may require judicial actions, which often are subject to discretion and delay and which may be difficult to pursue. The enforceability of rights and remedies with respect to the Series 2019 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 or the Security Deeds 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 or the Disclosure Agreement.

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 or the Security Deeds, 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 or the Security Deeds and (2) subordinate the lien of the Indenture or the Security Deeds (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 also may have the power to prevent the exercise of remedies arising under certain provisions of the Indenture, the Loan Agreement or the Security Deeds 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 2019 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 any authority created under the Constitution or laws of the State of Georgia is not 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 is 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 such 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 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 2019 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 benefit of the current 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 2019 Bonds or for the payment of additional interest on the Series 2019 Bonds in the event that interest on the Series 2019 Bonds becomes includable in gross income for federal income tax purposes. In the event that interest on the Series 2019 Bonds becomes includable in gross income for federal income tax purposes, the value and marketability of the Series 2019 Bonds likely would 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 2019 Bonds. The Indenture and the Loan Agreement contain provisions designed to assure compliance with such covenant. The Rental Agreements, however, contain no covenant 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 2019 Bonds, and the Board of Regents is not bound by the covenants contained in the Loan Agreement. The Rental Agreements prohibit the Board of Regents from assigning the Rental Agreements or subletting any of the Projects 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 2019 Bonds.

The occurrence of an event that results in the interest payable on the Series 2019 Bonds being includable in the gross income of the owners of the Series 2019 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 2019 Bonds, or to the payment to the owners of the Series 2019 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 2019 Bonds. Interest on the Series 2019 Bonds may become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019 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 2019 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 enforce remedies related to 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 typically is 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, and therefore, it is not likely to be generally suitable

for commercial or industrial uses. The Company owns a leasehold interest (not a fee interest) in the Projects. Consequently, it may be difficult to find a buyer or tenant for a Project if it were necessary to foreclose on such 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 the Security Deed on a 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 Issues

In anticipation of the lease of each Project site to the Company and in connection with the issuance of the Series 2009A 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 2019 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; however, there could 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; however, there can 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.

Amendments to Documents

Certain amendments to the Indenture, the Loan Agreement and the Security Deed may be made without notice to or the consent of the holders of the Series 2019 Bonds, and such amendments could affect the security for the Series 2019 Bonds. Certain amendments, however, are not permitted without the consent of the holder of each outstanding Series 2019 Bond affected thereby, including (1) extensions in the stated maturity of the principal, or any installment of interest on, any Series 2019 Bond, or (2) any reduction in the principal amount of, or interest on, any Series 2019 Bond. See Appendix B – "DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS" hereto.

Secondary Market and Prices

The Underwriters will not be obligated to repurchase any of the Series 2019 Bonds, and no representation is made concerning the existence of any secondary market therefor, nor can any assurance be given that any secondary market will develop following the completion of the offering of the Series 2019 Bonds, and no assurance can be given that initial offering prices for the Series 2019 Bonds will continue for any period of time. Therefore, any prospective purchaser of the Series 2019 Bonds should

undertake an independent investigation through its own advisors regarding the desirability and practicality of an investment in the Series 2019 Bonds. Any prospective purchaser should be aware of the long-term nature of an investment in the Series 2019 Bonds and should assume that it will have to bear the economic risk of its investment for an extended period of time.

Ratings

As of the date of initial issuance and delivery of the Series 2019 Bonds, the Series 2019 Bonds are rated by Moody's Investors Service, Inc. ("Moody's") (see "RATING"). There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. The Issuer and the Company undertake no responsibility to oppose any such revision or withdrawal.

Taxation of Series 2019 Bonds

Any exclusion from gross income for federal income tax purposes of the interest on the Series 2019 Bonds is dependent upon, among other things, the accuracy of the certifications of the Issuer contained in the Certificate as to Arbitrage Matters (the "Non-Arbitrage Certificate") and compliance with certain restrictions regarding investment of Series 2019 Bond proceeds, use of the Projects and continuing compliance by the Company and the Foundation with the tax certificate (the "Tax Certificate") each to be executed on the date of issuance of the Series 2019 Bonds, under which enforcement remedies available to the Issuer and the Trustee are severely limited. In addition, the Foundation must remain an exempt organization described under Section 501(c)(3) of the Code at all times while any Series 2019 Bonds remain outstanding in order for Series 2019 Bonds to retain their tax-exempt status. Failure of the Company and the Foundation to comply with the terms and conditions of the Loan Agreement, the Tax Certificate and other documents or any inaccuracy of the certifications of the Issuer in the Non-Arbitrage Certificate, as described herein, may result in the loss of the tax-exempt status of the interest on Series 2019 Bonds retroactive to the date of issuance of Series 2019 Bonds.

There is no obligation to redeem the Series 2019 Bonds if interest on the Series 2019 Bonds becomes includable in gross income for federal income tax purposes. If interest on Series 2019 Bonds should become included in gross income for federal income tax purposes, the market for and value of Series 2019 Bonds would be adversely affected.

Moreover, there can be no assurance that the present advantageous provisions of the Code, or the rules and regulations thereunder, will not be retroactively adversely amended or modified, thereby resulting in the inclusion in gross income of the interest on Series 2019 Bonds for federal income tax purposes or otherwise eliminating or reducing the benefits of the present advantageous tax treatment of Series 2019 Bonds. While no such legislation has been adopted, there can be no assurance that Congress would not adopt legislation applicable to Series 2019 Bonds or the Company and that the Projects would be able to comply with any such future legislation in a manner necessary to maintain the tax-exempt status of Series 2019 Bonds. The Company is required under the Loan Agreement to use its best efforts to comply with any other future federal income tax law requirements in order to maintain the tax-exempt status of Series 2019 Bonds to the extent that any such other requirements are made applicable to the Projects; however, there is no assurance that the Company would be able to comply with any such other requirements.

Federal Income Tax Matters; 501(c)(3) Status of the Foundation

Loss by the Foundation of the benefits of certain provisions of the federal income tax law could jeopardize the tax-exempt status of Series 2019 Bonds. The Internal Revenue Service (the "IRS") has determined that the Foundation is an organization described in Section 501(c)(3) of the Code and therefore is exempt from federal income taxation under Section 501(a) of the Code. Under current law,

the Company is a disregarded entity the income and operations of which is deemed to be the income and operations of the Foundation for federal income tax purposes. Changes in the Code or Treasury Regulations or the judicial or administrative interpretation thereof or certain actions of the Company or the Foundation could result in the revocation by the IRS of such determination and loss of the tax-exempt status of the Foundation or reversal of the treatment of the Company as disregarded and therefore separate from the Foundation, either of which could jeopardize the tax-exempt status of the Series 2019 Bonds.

Any failure by the Foundation to remain qualified as tax-exempt under Section 501(c)(3) of the Code could affect the amount of funds of the Company which would be available to pay debt service on Series 2019 Bonds or could lead to a determination that interest on Series 2019 Bonds is taxable. The failure by the Company, the Foundation, or the Issuer to continuously comply with certain covenants contained in the Indenture, the Loan Agreement, and the Tax Certificate after delivery of Series 2019 Bonds could result in the loss of the exclusion from gross income of interest on Series 2019 Bonds by the owners thereof for federal income tax purposes.

Possible Consequences of Tax Compliance Audit

The IRS has established a general audit program to determine whether issuers of tax-exempt obligations, such as Series 2019 Bonds, are in compliance with requirements of the Code that must be satisfied in order for the interest of those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. It cannot be predicted whether the IRS will commence an audit of the Series 2019 Bonds. Depending on all the facts and circumstances and type of audit involved, it is possible that commencement of an audit of Series 2019 Bonds could adversely affect the market value and liquidity of Series 2019 Bonds until the audit is concluded, regardless of its ultimate outcome.

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 2019 Bonds or questions or affects the validity of the Series 2019 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 2019 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 2019 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 or the Security Deeds.

Validation Proceedings

Prior to the initial issuance and delivery of the Series 2019 Bonds, the State of Georgia will institute proceedings in the Superior Court of Fulton County, Georgia to validate the Series 2019 Bonds and the security therefor. The State of Georgia will be the plaintiff in the proceeding, and the Issuer, the Company and the Board of Regents will be the defendants. The receipt of a final judgment confirming and validating the Series 2019 Bonds and the security therefor is a condition precedent to the issuance and

delivery of the Series 2019 Bonds. Under Georgia law, the judgment of validation will be forever conclusive with respect to the validity of the Series 2019 Bonds and the security therefor.

Closing Certificates

At closing of the sale of the Series 2019 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 2019 Bonds or the security for the Series 2019 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 H hereto.

TAX MATTERS

Opinion of Bond Counsel

Certain legal matters incident to the authorization, validity, and issuance of the Series 2019 Bonds are subject to the approval of Nelson Mullins Riley & Scarborough LLP, Atlanta, Georgia, Bond Counsel, whose approving opinion will be available at the time of delivery of the Series 2019 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 various requirements and restrictions that apply to the Series 2019 Bonds. These include restrictions on investments, requirements for periodic payment of arbitrage profits to the United States, requirements regarding the use of Series 2019 Bond proceeds, requirements regarding the nature and use of the facilities financed or refinanced with Series 2019 Bond proceeds, and other restrictions and requirements. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2019 Bonds to become subject to federal income taxation, retroactive, in some cases, to the date of issuance of the Series 2019 Bonds.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2019 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 at the rate of 3.8% by Chapter 2A of Subtitle A of the Code (the “Affordable Care Tax”)) and is not an enumerated item of tax preference for purposes of the federal alternative minimum tax imposed on taxpayers other than corporations. Interest on the Series 2019 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 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 2019 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 2019 Bonds in gross income for federal income tax purposes (including the Affordable Care Tax) to be retroactive to the date of issuance of the Series 2019 Bonds.

The Affordable Care Tax is imposed on individuals 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 2019 Bonds is excluded from modified adjusted gross income, adjusted gross income, and net investment income for purposes of the Affordable Care Tax. Nonetheless, gain, if any, from the sale or other disposition of Series 2019 Bonds will be taken into account in such calculations.

In concluding that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes (including the Affordable Care Tax), 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 2019 Bonds. If certain of these items are incorrect, interest on the Series 2019 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 2019 Bonds.

Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the Series 2019 Bonds. See “TAX MATTERS-Collateral Federal Tax Consequences” herein for a general discussion of other selected federal tax consequences associated with ownership of the Series 2019 Bonds.

State of Georgia Taxation

In the further opinion of Bond Counsel, under existing law, the Series 2019 Bonds are exempt from local property taxes in the State of Georgia, and the interest on the Series 2019 Bonds is exempt from State of Georgia income taxation, although the Series 2019 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 2019 Bonds is subject to state or local income taxation in jurisdictions other than Georgia; interest on the Series 2019 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 2019 Bonds should consult its own tax advisor regarding the tax-exempt status of the interest on the Series 2019 Bonds in a particular state or local jurisdiction other than Georgia.

Original Issue Discount

The Series 2019 Bonds maturing on June 15, 2032 are being issued at an initial offering price that is less than the stated redemption price at maturity thereof (hereinafter “Discount Bonds”) and, therefore, have been issued with original issue discount. To the extent that original issue discount is properly allocable to each owner of a Discount Bond, it 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 taxpayers other than

corporations. The initial offering price to the public (the “issue price”), excluding underwriters and other intermediaries, of each maturity or series of Series 2019 Bonds is the price at which substantial amount of such maturity or series of the Series 2019 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 purposes (including for purposes of the Affordable Care Tax), will not be an enumerated item of tax preference for purposes of the federal alternative minimum tax imposed on taxpayers other than 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 any 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. Owners of Discount Bonds that have purchased Discount Bonds at a price other than the issue price or other than in the initial offering should consult their own tax advisors to consider any additional federal income tax consequences. All owners of Discount Bonds should consult their own tax advisors which 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, or maturity of such Discount Bond, for purposes of determining such owner’s income tax liability under such state or local tax laws.

Amortizable Premium

Any Series 2019 Bonds (the “Premium Bonds”) being sold at prices in excess of the principal amount thereof constitute “Premium Bonds”. 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, over the term of the Premium Bond or to its earlier call date. 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.

Collateral Federal Tax Consequences

Ownership of the Series 2019 Bonds may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions and other taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2019 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. No deduction is allowable for interest on indebtedness incurred or continued to purchase or carry the Series 2019 Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocated to interest on the Series 2019 Bonds; however, certain *de minimis* exceptions may be applicable for owners of Series 2019 Bonds other than financial institutions.

2. Property and casualty insurance companies are required to reduce the amount of deductible underwriting losses by 25% of their amount of tax-exempt interest, including interest on the Series 2019 Bonds. If the amount of this reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income.

3. 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 2019 Bonds.

4. A branch-level tax is imposed on certain earnings and profits of foreign corporations operating branches in the United States, and interest on the Series 2019 Bonds may be included in the determination of such domestic branches' taxable bases on which this tax is imposed.

5. Passive investment income, including interest on the Series 2019 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.

6. Payments of interest on the Series 2019 Bonds are subject to reporting to the Internal Revenue Service (the "IRS") and to payees on Form 1099-INT (or successor form), and the Trustee (or its agent) may be required to withhold federal tax (referred to as "backup withholding") from any such payment on a Series 2019 Bond, which will be imposed at the rate of 24% 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 2019 Bond has supplied an incorrect TIN, (iii) the IRS has notified the Trustee (or its agent) that the owner of the Series 2019 Bond has failed properly to report certain income to the IRS, or (iv) when required to do so, the owner of the Series 2019 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 2019 Bonds. Persons considering the purchase of the Series 2019 Bonds should consult with their tax advisors as to the federal tax consequences of buying or holding the Series 2019 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, would eliminate 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.

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 threat of any such

administrative action or litigation could impair the marketability or market value of the Series 2019 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 2019 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 2019 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.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and delivery of the Series 2019 Bonds by the Issuer are subject to the approving opinion of Nelson Mullins Riley & Scarborough LLP, Atlanta, Georgia, Bond Counsel. The form of opinion of Bond Counsel which will be delivered upon the initial delivery of the Series 2019 Bonds is attached to this Official Statement as Appendix C. Certain legal matters will be passed upon for the Issuer by Nelson Mullins Riley & Scarborough LLP, Atlanta, Georgia; for the Company and the Foundation by Stover Legal Group, LLC, Atlanta, Georgia; and for the Underwriters by Kutak Rock LLP, Atlanta, Georgia.

UNDERWRITING

Citigroup Global Markets Inc., on behalf of itself and as a representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, National Association (collectively, the “Underwriters”), has agreed to purchase the Series 2019 Bonds at a purchase price of \$65,218,949.39 (representing par plus net original issue premium of \$7,052,401.45 and less an underwriters’ discount of \$228,452.06). The Underwriters are committed to purchase all of the Series 2019 Bonds, if any Series 2019 Bonds are purchased. The obligation of the Underwriters to purchase the Series 2019 Bonds is subject to a number of terms and conditions set forth in a Bond Purchase Agreement among the Issuer, the Company and the Underwriters. The Underwriters have advised the Issuer that they intend to make a public offering of the Series 2019 Bonds at the prices set forth on the inside front cover page hereof. The Underwriters may offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing the Series 2019 Bonds into investment trusts) and others at prices lower than the offering price stated on the inside front cover page hereof.

Citigroup Global Markets Inc., one of the Underwriters of the Series 2019 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. may compensate Fidelity for its selling efforts.

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, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), an underwriter of the Series 2019 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2019 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2016A Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2016A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Separate Wells Fargo lines of business are serving as Trustee in connection with the Series 2019 Bonds and as Escrow Agent and Paying Agent for the Series 2009A Bonds and will be separately compensated for serving in these capacities.

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 management, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Issuer. In the ordinary course of their 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 their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

RATING

Moody’s has assigned its municipal bond rating of “A1” to the Series 2019 Bonds. Such rating reflects only the views of Moody’s. An explanation of the significance of the rating given by Moody’s may be obtained from Moody’s at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0300. There is no assurance that such rating will be maintained for any given period of time or that such rating may not be revised upward, downward or withdrawn entirely by Moody’s if, in its judgment, circumstances warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of such Series 2019 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

FINANCIAL STATEMENTS

The basic financial statements of the University System as of June 30, 2018 and for the year then ended, attached hereto as Appendix H, have been audited by the State of Georgia Department of Audits and Accounts, to the extent and for the period indicated in its report thereon dated January 18, 2019, which appears in Appendix H. The University System has not made any representations regarding the accuracy or sufficiency of the information contained therein. The University System’s financial statements have been included herein in reliance upon the report of the State of Georgia Department of Audits and Accounts, given upon the authority of such agency as experts in accounting and auditing. The State of Georgia Department of Audits and Accounts stated in its audit report in Appendix H that it conducted its audit in accordance with auditing standards generally accepted in the United States. **The**

State of Georgia Department of Audits and Accounts has not and will not sign a written consent to the inclusion of its audit report in this Official Statement. The State of Georgia Department of Audits and Accounts could use the defense of sovereign immunity against any claim based upon its negligence in performing the audit of the University System's general purpose financial statements.

FINANCIAL ADVISOR

PRAG serves as financial advisor to the Company in connection with the issuance of the Series 2019 Bonds. PRAG is an independent financial advisor and is not engaged in the business of underwriting, trading or distributing municipal or public securities. Because of its limited participation, PRAG has not independently verified any of the data contained in this Official Statement and has no responsibility for the accuracy or completeness thereof.

VERIFICATION

The accuracy of the arithmetical computations of the adequacy of the maturing principal and interest earned on the Defeasance Securities in the Escrow Fund to pay the principal of and interest on the Series 2009A Bonds as set forth in the Escrow Agreement, and the arithmetical computations supporting the conclusion of Bond Counsel that the Series 2019 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code will be verified by Precision Analytics/Samuel Klein and Company, independent certified public accountants.

MISCELLANEOUS

All references in this Official Statement to the Indenture, the Loan Agreement or other documents or official acts do not purport to be complete and are qualified in their entirety by said documents. All references to the Series 2019 Bonds and information with respect thereto are qualified in their entirety by the exact terms of the Indenture, documents, or official acts, copies of which are available from the Issuer, upon request, for full and complete statements of their provisions.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. The agreements of the Issuer with the holders of the Series 2019 Bonds are fully set forth in the Indenture, and neither this Official Statement nor any statement which may have been made verbally or in writing is to be constructed as a contract with the holders of the Series 2019 Bonds.

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CERTIFICATION

Except for the information set forth under the headings “THE ISSUER” and “LITIGATION – The Issuer” and “LITIGATION – 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 2019 Bonds with any information relating to the Series 2019 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**

USG REAL ESTATE FOUNDATION II, LLC

By: USGREF MANAGER, its manager

By: /s/ Teresa MacCartney
Chair

By: /s/ Karen N. McCauley
Vice President

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APPENDIX A
INFORMATION REGARDING EACH PARTICIPATING CONSTITUENT INSTITUTION

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INFORMATION REGARDING EACH PARTICIPATING CONSTITUTENT INSTITUTION

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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. Neither the Issuer nor the Company has independently verified the accuracy, truthfulness, or completeness of such information, and by including such information in this Official Statement, neither the Issuer nor the Company shall 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 or the Company.

COLUMBUS STATE UNIVERSITY

General

Columbus State University (“CSU”) was established in 1958 as a two-year institution, became a four-year institution in 1965 and was named Columbus State University in 1996. CSU is located in Columbus, Georgia (estimated population of 194,058 as of July 1, 2017 according to U.S. Census Bureau) on the border of Georgia and Alabama, 100 miles southwest of Atlanta, Georgia. CSU is a coeducational, residential university.

CSU offers more than 46 undergraduate and 42 graduate degree programs in five colleges within the university. The 132-acre campus features 18 buildings and a range of recreational and cultural facilities. Two off-campus centers, the Coca-Cola Space Science Center and the Oxbow Meadows Environmental Learning Center, offer enhanced educational and recreational opportunities to CSU students as well as to school children and residents of the region. The Schwob Department of Music is located in the River Center for Performing Arts complex in downtown Columbus.

Enrollment

The following table reflects headcount enrollment information for the fall semesters of the academic years 2014-2015 through 2018-2019.

<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
8,192	8,361	8,407	8,453	8,076

Admissions

The following table reflects freshman application, acceptance and matriculation information for the fall semesters of the academic years 2014-2015 through 2018-2019.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Number of Applications	4,664	5,008	5,165	5,553	5,466
Number of Acceptances	2,809	3,008	2,904	3,044	3,289
Acceptance Rate	60%	60%	56%	55%	60%
Matriculants	1,743	1,857	1,745	1,868	1,843
Matriculation Rate	62%	62%	60%	61%	56%

Tuition and Fees

The following table sets forth the undergraduate tuition (15 hours or more per semester) for the academic years 2014-2015 through 2018-2019 for Georgia residents and non-residents. The undergraduate fees (15 hours or more per semester) for CSU for the current academic year (2018-2019) total \$935.

<u>Academic Year</u>	<u>In-State</u>	<u>Out-of-State</u>
2014-2015	\$2,549	\$8,997
2015-2016	2,613	9,222
2016-2017	2,613	9,222
2017-2018	2,665	9,406
2018-2019	2,665	9,406

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 assets of CSU for the three fiscal years ended June 30, 2016 through June 30, 2018 set forth on the following page shows, among other things, the appropriation trends by the Board of Regents to CSU and CSU's historical collection of tuition and fees. **This financial information is provided for informational purposes only. No revenues of the Board of Regents or CSU are pledged as security for the Series 2019 Bonds.**

For the fiscal year ended June 30, 2016, the State Department of Audits and Accounts (the "DOAA") 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 DOAA has not expressed an opinion regarding the financial statements of CSU for the fiscal year ended June 30, 2016. For the fiscal years ended June 30, 2017 and June 30, 2018, the DOAA did not review or perform any audit procedures at CSU.

For fiscal year 2018, CSU made prior period adjustments to its financial statements due to the implementation of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required the restatement of the June 30, 2017 net position. This restatement resulted in a decrease in net position at July 1, 2017 of \$69,638,544 attributable to the accrual of CSU's proportionate share of the net other post-employment benefit liability for the Board of Regents Retiree Health Benefit Plan.

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Statement of Revenues, Expenses and Changes in Net Assets of CSU

<u>OPERATING REVENUES</u>	2016	2017	2018
Student Tuition and Fees (net) ¹	\$46,695,311	\$46,233,797	\$45,974,126
Less: Scholarship Allowances	--	--	--
Grants and Contracts			
Federal	999,490	1,001,227	1,897,036
State	220,328	105,526	56,147
Other	243,518	212,973	224,006
Sales and Services	4,098,141	3,922,657	3,775,475
Rents and Royalties	42,800	41,800	42,637
Auxiliary Enterprises			
Residence Halls	5,775,957	3,817,569	4,082,306
Bookstore	294,122	360,155	440,101
Food Services	523,618	452,615	504,408
Parking/Transportation	1,251,951	1,218,718	1,474,066
Health Services	622,554	625,171	672,674
Intercollegiate Athletics	2,789,597	2,753,088	2,732,421
Other Organizations	404,270	353,100	329,370
Other Operating Revenues	631,989	563,584	691,398
Total Operating Revenues	<u>\$64,593,646</u>	<u>\$61,661,977</u>	<u>\$62,896,171</u>
<u>OPERATING EXPENSES</u>			
Salaries			
Faculty	\$24,934,396	\$25,879,999	\$26,740,885
Staff	27,505,118	29,917,231	30,975,041
Employee Benefits	15,491,007	18,938,335	21,695,991
Other Personal Services	382,142	391,140	359,647
Travel	789,454	797,256	797,813
Scholarships and Fellowships	10,520,535	10,513,211	11,211,320
Utilities	4,300,462	4,206,686	3,910,658
Supplies and Other Services	26,340,544	25,795,708	23,525,912
Depreciation	4,804,165	5,226,445	5,325,860
Total Operating Expenses	<u>\$115,067,823</u>	<u>\$121,666,011</u>	<u>\$124,543,127</u>
Operating Income (Loss)	<u>\$(50,474,177)</u>	<u>\$(60,004,034)</u>	<u>\$(61,646,956)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
State Appropriations	\$34,581,249	\$36,713,844	\$41,002,242
Grants and Contracts			
Federal	14,583,997	14,496,905	15,508,384
State	280	--	--
Other	3,764,042	4,230,919	3,645,095
Gifts	304,771	432,164	137,138
Investment Income	77,920	476,220	379,790
Interest Expense	(2,443,347)	(2,398,325)	(2,375,307)
Other Non-Operating Revenues (Expenses)	6,514	(10,570)	(11,164)
Net Non-Operating Revenues	<u>50,875,426</u>	<u>53,941,157</u>	<u>58,286,178</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	<u>\$401,249</u>	<u>\$(6,062,877)</u>	<u>\$(3,360,778)</u>
Capital Grants and Gifts			
State	3,899,597	3,063,414	1,121,279
Other	217,505	16,702	28,500
Special Item – capital asset transfer	--	--	--
Total Other Revenues, Expenses, Gains or Losses	<u>4,117,102</u>	<u>3,080,116</u>	<u>1,149,779</u>
Increase (Decrease) in Net Assets	<u>\$4,518,351</u>	<u>\$(2,982,761)</u>	<u>\$(2,210,999)</u>
Net Position – Beginning of Year, (Restated) ²	<u>\$46,723,304</u>	<u>\$51,241,655</u>	<u>\$(21,379,650)</u>
Net Position – End of Year	<u>\$51,241,655</u>	<u>\$48,258,894</u>	<u>\$(23,590,649)</u>

¹ The student tuition and fees amount does not include scholarship allowances.

² See note above regarding restatement of net position as of July 1, 2017.

Budget – 2019 Fiscal Year

Set forth below is CSU’s budget for the fiscal year ending June 30, 2019.

Revenues:		Expenditures:	
Tuition	\$ 40,321,835	Personnel	
State Appropriations	42,996,424	Faculty Personnel	\$ 41,840,872
Grants and Contracts	5,310,875	Academic Support Personnel	10,462,381
		Non-Academic Support Personnel	<u>27,510,111</u>
Mandatory Fees		Subtotal Personnel	79,813,364
Health Fee	800,401	Operating	
Parking Fees	1,488,019	Academic Operating	4,698,954
Athletic Fee	2,585,000	Administrative Operating	<u>8,009,338</u>
Student Activity Fee	1,285,569	Subtotal Operating	12,708,292
Recreation Center Fee	2,736,257	Travel	1,004,977
International Fee	192,836	Facilities	
Technology Fee	<u>1,378,814</u>	Maintenance and Repairs	8,562,766
Mandatory Fees Subtotal	10,466,896	Utilities	<u>3,282,922</u>
		Subtotal Facilities	11,845,688
Institutional Fees	4,327,702	Leases (RiverPark buildings)	3,865,650
Non Mandatory Fees	2,306,138	Other (primarily contingency)	<u>4,967,920</u>
Housing	3,886,713		
Continuing Education	3,620,294		
Enterprise Services	604,948		
Auxiliaries Misc. Revenues	<u>364,066</u>		
Total	<u>\$114,205,891</u>	Total	<u>\$114,205,891</u>

Debt Service Schedules

The principal (including principal payable at maturity or by operation of mandatory sinking fund redemption) and interest payment requirements with respect to the Series 2019 Bonds allocable to the CSU Project are as follows:

<u>Bond Year</u> <u>Ending June 15</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019		\$ 246,534.17	\$ 246,534.17
2020	\$ 760,000	1,137,850.00	1,897,850.00
2021	795,000	1,099,850.00	1,894,850.00
2022	835,000	1,060,100.00	1,895,100.00
2023	875,000	1,018,350.00	1,893,350.00
2024	920,000	974,600.00	1,894,600.00
2025	960,000	928,600.00	1,888,600.00
2026	1,015,000	880,600.00	1,895,600.00
2027	1,065,000	829,850.00	1,894,850.00
2028	1,115,000	776,600.00	1,891,600.00
2029	1,170,000	720,850.00	1,890,850.00
2030	1,230,000	662,350.00	1,892,350.00
2031	1,290,000	600,850.00	1,890,850.00
2032	1,355,000	536,350.00	1,891,350.00
2033	1,400,000	495,700.00	1,895,700.00
2034	1,470,000	425,700.00	1,895,700.00
2035	1,540,000	352,200.00	1,892,200.00
2036	1,620,000	275,200.00	1,895,200.00
2037	1,685,000	210,400.00	1,895,400.00
2038	1,750,000	143,000.00	1,893,000.00
2039	<u>1,825,000</u>	<u>73,000.00</u>	<u>1,898,000.00</u>
	<u>\$24,675,000</u>	<u>\$13,448,534.17</u>	<u>\$38,123,534.17</u>

Note: Totals may not add precisely due to rounding.

Sources of Funds to Make Rental Payments

In connection with the operation of the CSU Project, the Board of Regents approved a related student recreation fee which CSU began collecting in the fall semester 2009. The amount of such fee is currently \$180 per student per semester. This fee is intended to provide sufficient funds for the payment of the rental payments and operating costs of the CSU Project, **however, this fee is not pledged under the Rental Agreement related to the CSU Project, and the Board of Regents is not required to allocate the revenues of the CSU Project or the proceeds of this fee to its payments under such Rental Agreement.**

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KENNESAW STATE UNIVERSITY

(KSU consolidated with Southern Polytechnic State University effective August 2015)

General

Kennesaw State University (“KSU”) was chartered in 1963 as a two-year unit of the University System, began classes in September 1966 with an initial student enrollment of 1,014 and moved to its campus located in Kennesaw, Georgia in January 1967. Southern Polytechnic State University (“SPSU”) was a member institution within the University System located on approximately 200 acres in the City of Marietta, Georgia, approximately 15 miles northwest of the City of Atlanta. SPSU was founded in 1948 as a two-year division of the Georgia Institute of Technology and was accredited as a four year college in 1970. In 1980, SPSU separated from the Georgia Institute of Technology and became an independent unit of the University System. In 1996, SPSU became a university.

On November 12, 2013, the Board of Regents voted to approve the consolidation of KSU and SPSU into one new consolidated institution (the “Consolidated Institution”) to be named Kennesaw State University. The Southern Association of Colleges and Schools approved the consolidation plan in December 2014, and the Board of Regents approved the Consolidated Institution on January 6, 2015. KSU and SPSU began operating as the Consolidated Institution when classes began for the fall 2015 semester in August 2015.

The Consolidated Institution offers a wide array of baccalaureate degree programs, including majors in the arts, humanities, social sciences, mathematics, natural sciences, accounting, business fields, teacher education specialties, computing and information systems, engineering, architecture and construction management and nursing, master’s degree programs, including education specialties, accounting, business fields, public administration, professional writing and nursing, and five doctoral programs.

Enrollment

The following table reflects headcount enrollment for the Consolidated Institution, KSU (prior to the consolidation with SPSU effective August 2015) and SPSU for the fall semesters of the academic years 2014-2015 through 2018-2019:

<u>Academic Year</u>	<u>KSU</u>	<u>SPSU</u>	<u>Consolidated Institution</u>
2014-2015	25,714	6,786	32,500
2015-2016	--	--	33,252
2016-2017	--	--	35,018
2017-2018	--	--	35,846
2018-2019	--	--	35,420

Admissions

The following table reflects freshman application, acceptance and matriculation information for the fall semester of the academic year 2014-2015 for KSU (prior to the consolidation with SPSU effective August 2015) and SPSU, and the academic years 2015-2016 through 2018-2019 for the Consolidated Institution.

<u>Academic Year</u>	<u>Applicants</u>	KSU		<u>Matriculants</u>	Matriculation <u>Rate (%)</u>
		<u>Acceptances</u>	<u>Acceptance Rate (%)</u>		
2014-2015	11,309	6,073	54%	3,752	62%

SPSU					
<u>Academic Year</u>	<u>Applicants</u>	<u>Acceptances</u>	<u>Acceptance Rate (%)</u>	<u>Matriculants</u>	<u>Matriculation Rate (%)</u>
2014-2015	1,867	1,476	79%	893	61%

CONSOLIDATED INSTITUTION

<u>Academic Year</u>	<u>Applicants</u>	<u>Acceptances</u>	<u>Acceptance Rate (%)</u>	<u>Matriculants</u>	<u>Matriculation Rate (%)</u>
2015-2016	14,215	8,323	59%	5,032	60%
2016-2017	15,122	8,847	59%	5,347	60%
2017-2018	13,998	8,487	61%	5,237	62%
2018-2019 ¹	13,427	7,779	58%	4,784	61%

¹ Fall semester 2018 freshman matriculants may include some dual enrollment students who have earned college credit prior to high school graduation but were not included under the applicants and acceptances categories because they were treated as transfer applicants.

Tuition and Fees

The following table describes the undergraduate tuition (15 hours or more per semester) for Georgia residents and non-residents for the academic year 2014-2015 for KSU (prior to the consolidation with SPSU effective August 2015) and SPSU and for the academic years 2015-2016 through 2018-2019 for the Consolidated Institution. The undergraduate fees (5 hours or more per semester) for the Consolidated Institution for the current academic year (2018-2019) total \$1,003.

<u>Fall</u>	<u>In State Tuition</u>			<u>Out-of-State Tuition</u>		
	<u>KSU</u>	<u>SPSU</u>	<u>Consolidated Institution</u>	<u>KSU</u>	<u>SPSU</u>	<u>Consolidated Institution</u>
2014	\$2,549	\$2,761	--	\$8,997	\$9,826	--
2015	--	--	\$2,660	--	--	\$9,388
2016	--	--	2,660	--	--	9,388
2017	--	--	2,713	--	--	9,576
2018	--	--	2,713	--	--	9,576

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 assets of the Consolidated Institution for the three fiscal years ended June 30, 2016 through June 30, 2018 set forth below shows, among other things, the appropriation trends by the Board of Regents to the Consolidated Institution and the Consolidated Institution's historical collection of tuition and fees. **This financial information is provided for informational purposes only. No revenues of the Board of Regents or the Consolidated Institution are pledged as security for the Series 2019 Bonds.**

For the fiscal years ended June 30, 2016 through June 30, 2018, the DOAA audited the Consolidated Institution's financial statements in accordance with auditing standards generally accepted in the United States of America. These standards require the DOAA to obtain reasonable assurance that the financial statements are free of material misstatement. The DOAA has concluded that the Consolidated Institution's financial statements for the fiscal years 2016 through 2018 present fairly, in all material respects, the Consolidated Institution's financial position, results of operations, and cash flows for such fiscal years in accordance with generally accepted accounting principles in the United States of America. The DOAA 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 Consolidated Institution's financial statements.

For fiscal year 2018, the Consolidated Institution made prior period adjustments to its financial statements due to the implementation of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required the restatement of the June 30, 2017 net position. This restatement resulted in a decrease in net position at July 1, 2017 of \$233,768,669 attributable to the accrual of the Consolidated Institution's proportionate share of the net other post-employment benefit liability for the Board of Regents Retiree Health Benefit Plan.

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Statement of Revenues, Expenses and Changes in Net Assets of Consolidated Institution

<u>OPERATING REVENUES</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Student Tuition and Fees (net) ¹	\$183,761,639	\$193,196,541	\$199,435,290
Less: Scholarship Allowances			
Grants and Contracts			
Federal	2,259,989	1,946,428	1,740,727
State	888,461	879,075	564,928
Other	99,735	154,392	374,293
Sales and Services	12,733,728	12,731,745	14,560,244
Rents and Royalties	1,077,825	1,012,363	1,543,310
Auxiliary Enterprises			
Residence Halls	16,550,765	17,103,480	16,623,733
Bookstore	15,178,645	13,913,170	13,110,592
Food Services	26,500,274	27,627,130	23,163,050
Parking/Transportation	9,806,645	10,087,308	10,782,630
Health Services	3,384,932	3,573,891	3,505,173
Intercollegiate Athletics	14,629,504	14,994,671	15,522,822
Other Organizations	4,912,067	5,913,574	6,327,609
Other Operating Revenues	1,981,710	2,490,627	431,777
Total Operating Revenues	<u>\$293,765,919</u>	<u>\$305,624,395</u>	<u>\$307,686,178</u>
<u>OPERATING EXPENSES</u>			
Salaries			
Faculty	\$ 91,638,505	\$103,713,764	\$115,043,096
Staff	118,150,291	120,488,694	127,159,301
Employee Benefits	56,690,372	71,330,792	84,830,407
Other Personal Services	1,343,367	1,791,931	1,840,126
Travel	3,334,112	3,411,172	3,814,479
Scholarships and Fellowships	28,056,837	27,108,431	30,119,620
Utilities	9,736,610	9,824,873	10,250,657
Supplies and Other Services	116,524,817	104,716,887	99,626,043
Depreciation	31,708,533	31,884,881	32,138,956
Total Operating Expenses	<u>457,183,444</u>	<u>474,271,425</u>	<u>504,822,685</u>
Operating Income (Loss)	<u>(163,417,525)</u>	<u>(168,647,030)</u>	<u>(197,136,507)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
State Appropriations	\$115,692,680	\$128,128,428	\$138,475,446
Federal Stimulus Stabilization			
Grants and Contracts			
Federal	55,400,094	55,712,429	63,675,135
State	148,619	312,426	400,139
Other	4,645,487	5,280,852	3,804,348
Gifts	1,125,674	1,147,657	4,456,119
Investment Income	350,161	757,792	915,610
Interest Expense	(17,167,065)	(16,005,862)	(15,222,081)
Other Non-Operating Revenues (Expenses)	(401,073)	(217,200)	(25,044)
Net Non-Operating Revenues	<u>159,794,577</u>	<u>175,116,522</u>	<u>196,479,672</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	<u>(3,622,948)</u>	<u>6,469,492</u>	<u>(656,835)</u>
Capital Grants and Gifts			
State	16,988,157	2,799,370	22,073,032
Other	5,925,192	7,967,015	4,701,096
Total Other Revenues, Expenses, Gains or Losses	<u>22,913,349</u>	<u>10,766,385</u>	<u>26,774,128</u>
Increase (Decrease) in Net Assets	19,290,401	17,235,877	26,117,293
Net Position – Beginning of Year, (Restated) ²	<u>193,034,629</u>	<u>212,325,030</u>	<u>(4,207,762)</u>
Net Position – End of Year	<u>\$212,325,030</u>	<u>\$229,560,907</u>	<u>\$21,909,531</u>

¹ The student tuition and fees amount does not include scholarship allowances.

² See note above regarding restatement of net position as of July 1, 2017.

Budget – 2019 Fiscal Year

Set forth below is the Consolidated Institution’s budget for the fiscal year ending June 30, 2019.

Revenues:		Expenditures:	
Tuition and Fees	\$232,504,144	Instruction	\$184,288,241
State Appropriations	149,831,069	Auxiliary Enterprise	92,591,535
Auxiliary Enterprise	92,591,535	Academic Support	63,625,799
Grants and Contracts	69,573,616	Institutional Support	62,192,577
Sales and Services	18,267,013	Scholarships and Fellowships	61,425,864
Capital Grants and Gifts	3,700,000	Student Services	44,447,465
Other Operating Revenue	<u>229,087</u>	Plant Operations and Maintenance	41,733,461
		Public Service	14,934,974
		Research	<u>1,456,548</u>
Total	<u>\$566,696,464</u>	Total	<u>\$566,696,464</u>

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 2019 Bonds allocable to the KSU Project are as follows:

Bond Year <u>Ending June 15</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019		\$ 336,905.83	\$ 336,905.83
2020	\$1,035,000	1,554,950.00	2,589,950.00
2021	1,085,000	1,503,200.00	2,588,200.00
2022	1,140,000	1,448,950.00	2,588,950.00
2023	1,195,000	1,391,950.00	2,586,950.00
2024	1,255,000	1,332,200.00	2,587,200.00
2025	1,320,000	1,269,450.00	2,589,450.00
2026	1,385,000	1,203,450.00	2,588,450.00
2027	1,455,000	1,134,200.00	2,589,200.00
2028	1,525,000	1,061,450.00	2,586,450.00
2029	1,605,000	985,200.00	2,590,200.00
2030	1,685,000	904,950.00	2,589,950.00
2031	1,765,000	820,700.00	2,585,700.00
2032	1,855,000	732,450.00	2,587,450.00
2033	1,910,000	676,800.00	2,586,800.00
2034	2,005,000	581,300.00	2,586,300.00
2035	2,105,000	481,050.00	2,586,050.00
2036	2,210,000	375,800.00	2,585,800.00
2037	2,300,000	287,400.00	2,587,400.00
2038	2,395,000	195,400.00	2,590,400.00
2039	<u>2,490,000</u>	<u>99,600.00</u>	<u>2,589,600.00</u>
	<u>\$33,720,000</u>	<u>\$18,377,355.83</u>	<u>\$52,097,355.83</u>

Note: Totals may not add precisely due to rounding.

Sources of Funds to Make Rental Payments

Rent and sales revenues from the KSU Project are intended to provide sufficient funds for payment of the rental payments and operating costs of the KSU Project; **however, these revenues are not pledged under the Rental Agreement related to the KSU Project, and the Board of Regents is not required to allocate the revenues of the KSU Project to its payments under such 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 Chapter 16 of Title 20 of the Official Code of Georgia Annotated, entitled the “Georgia Higher Education Facilities Authority Act,” as amended, and as the same may be from time to time additionally supplemented and 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 if the 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” means, collectively, the Columbus State Note and the Southern Polytechnic Note.

“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 Bond Purchase Agreement, the Disclosure Agreement, and the Tax Agreement.

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

"Bondholders" 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, dated February 21, 2019, among the Issuer, the Company, and the Underwriters.

"Bonds" means the Series 2019 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).

"Columbus State Bonds" means that portion of the Series 2019 Bonds allocable to the Columbus State Project as shown on Exhibit A to the Indenture.

"Columbus State Ground Lease" means the Columbus State University Student Recreation Center Ground Lease, dated as of July 23, 2009, between the Board of Regents and the Company.

"Columbus State Note" means the amended and restated promissory note of the Company, dated the Closing Date, in the original principal amount of \$24,675,000, payable to the Issuer, given to evidence the obligation to pay Loan Payments to repay that portion of the Loan relating to the Columbus State Project.

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

“Columbus State Rental Agreement” means the Columbus State University Student Recreation Center Rental Agreement, dated as of July 23, 2009, as amended in 2010 and as further supplemented and amended by a First Amendment to Rental Agreement to be dated on or prior to the Closing Date of the Series 2019 Bonds, between the Company and the Board of Regents.

“Columbus State Security Deed” means, together, the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Columbus State Project), dated as of July 1, 2009, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Columbus State Project), dated as of March 1, 2019, from the Company to the Issuer, and the Assignment of Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Columbus State Project), dated as of July 1, 2009, as supplemented and amended by the Assignment of First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Columbus State Project), dated as of March 1, 2019, 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.

“Company” means USG Real Estate Foundation II, 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 Tax Agreement, the Bond Purchase Agreement, and the Disclosure Agreement.

“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.

“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.

“Disclosure Agreement” means the Disclosure Dissemination Agent Agreement, dated March __, 2019, between the Company and Digital Assurance Certification, LLC, as disclosure dissemination agent.

“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 March 1, 2019, 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 and 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 Ratings, Inc., doing business as Fitch Ratings, its successors and their assigns, and, if such corporation is 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.

“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.

“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 Columbus State Ground Lease and the Southern Polytechnic Ground Leases, 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 July 1, 2009, as supplemented and amended by the First Supplemental Indenture, between the Issuer and the Trustee, 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 June 15, 2019, in the case of Series 2019 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 July 1, 2009, as supplemented and amended by the First Amendment to Loan Agreement, dated as of March 1, 2019, between the Issuer and the Company, as the same may be amended from time to time.

“Loan Documents” means, with respect to each Project, the corresponding Security Deed and Amended Note.

“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: Columbus State 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: Columbus State 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 the provisions of the Indenture described under the heading **“SUMMARY OF THE INDENTURE - Discharge of Lien”** herein, and
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered under the Indenture.

If the Indenture is 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 Insurance 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 provisions of the Loan Agreement described under the heading **“SUMMARY OF THE LOAN AGREEMENT - Release of Certain Land and Subordination; Granting of Easements”** herein; (vii) liens or encumbrances securing, on a parity basis, the Series 2019 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 Investments” means any of the following securities, provided that at the time of investment such securities or the obligations held by any such unit investment trust or the obligations held or to be acquired by any such mutual fund are limited to obligations that are rated within one of the top two rating categories of any nationally recognized rating service or any rating service recognized by the Commissioner of Banking and Finance of the State of Georgia: (i) tax exempt obligations of counties, municipal corporations, school districts, political subdivisions, or public instrumentalities of any such government; (ii) general obligations of the United States or of subsidiary corporations of the United States government that are fully guaranteed by such government; (iii) obligations of the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives; and (iv) the units of any unit investment trusts the assets of which are exclusively invested in obligations of the type described in items (i)-(iii) above, or the shares of any mutual fund the investments of which are limited to securities of the type described in items (i)-(iii) above and distributions from which are treated for federal income tax purposes in the same manner as the interest on such obligations.

“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 Columbus State 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: Columbus State Account, Southern Polytechnic Account, and General Account.

“Projects” means, collectively, the Columbus State Project and the Southern Polytechnic Project; provided, however, that, except as otherwise provided herein to the contrary, either 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 2009A Bonds, presently outstanding in the aggregate principal amount of \$68,000,000.

“Rental Agreements” means, collectively, the Columbus State 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 either 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: Columbus State 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: Columbus State 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 Agreements, 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 S&P Global Ratings Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is 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 Columbus State Security Deed and the Southern Polytechnic Security Deed; provided, however, that either of the foregoing may be referred to herein individually as a “Security Deed.”

“Series 2009A Bonds” means the revenue bonds designated “Georgia Higher Education Facilities Authority Revenue Bonds (USG Real Estate Foundation II, LLC Project), Series 2009A,” dated their Closing Date, in the original aggregate principal amount of \$100,850,000, issued pursuant to the Indenture.

“Series 2019 Bonds” means the revenue bonds designated “Georgia Higher Education Facilities Authority Refunding Revenue Bonds (USG Real Estate Foundation II, LLC Projects), Series 2019,” to be dated their Closing Date, in the aggregate principal amount of \$58,395,000, to be issued pursuant to the Indenture.

“Series 2019 Escrow Agreement” means the Escrow Deposit Agreement, dated the Closing Date of the Series 2019 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.

“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 Bonds” means that portion of the Series 2019 Bonds allocable to the Southern Polytechnic Project as shown on Exhibit A to the Indenture.

“Southern Polytechnic Ground Leases” means, collectively, the Southern Poly Student Housing Ground Lease, dated as of July 23, 2009, between the Board of Regents and the Company (Ground Lease #1) and the Southern Poly Student Housing Ground Lease, dated as of July 23, 2009, between the Board of Regents and the Company (Ground Lease #2).

“Southern Polytechnic Note” means the amended and restated promissory note of the Company, dated the Closing Date of the Series 2019 Bonds, in the original principal amount of \$33,720,000, 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 student housing facility, a dining facility and 120 beds of special interest housing on the campus of Kennesaw State University, formerly Southern Polytechnic State University, all as more particularly described on Exhibit A-3 to the Loan Agreement.

“Southern Polytechnic Rental Agreement” means the Southern Poly Student Housing Rental Agreement, dated as of July 23, 2009, as amended in 2010 and as supplemented and amended by a Second Amendment to Rental Agreement, to be dated on or prior to the Closing Date of the Series 2019 Bonds, 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 July 1, 2009, 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 March 1, 2019, from the Company to the Issuer, and the Assignment of Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Southern Polytechnic Project), dated as of July 1, 2009, as supplemented and amended by the Assignment of First Amendment to Leasehold Deed to Secure Debt, Assignments of Rents and Leases, and Security Agreement (Southern Polytechnic Project), dated as of March 1, 2019, 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: Columbus State 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 2009A Bonds, and (ii) the Tax Certificate of the Company, dated the Closing Date of the Series 2019 Bonds.

“Tax-Exempt Bonds” means the Series 2009A Bonds, the Series 2019 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 \$58,395,000, 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 2019 Bonds.

“Unassigned Rights” means all of the rights of the Issuer to receive reimbursements and specified 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 Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Bank, National Association, and their successors and assigns.

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

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SUMMARY OF THE LOAN AGREEMENT

Introduction

The Loan Agreement is a contract that provides for the loan of the proceeds of the Series 2019 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 2019 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 2019 Bonds and will thereupon deposit the proceeds of the sale of the Series 2019 Bonds in the amounts specified in the Indenture, which will be applied to (i) pay principal of and interest on the Refunded Bonds at their redemption date of June 15, 2019 and (ii) pay the costs of issuing the Series 2019 Bonds and refunding the Refunded Bonds.

Term of the Loan Agreement

The Loan Agreement is effective until June 15, 2039, subject to earlier termination as set forth therein or until such date as payment or provision is made for the Bonds.

Loan Payments and Other Amounts Payable

Basic Loan Payments: The Loan of the proceeds of the Series 2019 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 agreed 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.

Investment of Funds and Accounts

Subject to provisions of the Indenture as described under the heading “**SUMMARY OF THE INDENTURE - Investment of Funds and Accounts**” herein and as described under the heading “**SUMMARY OF THE LOAN AGREEMENT - Special Investment Covenants**” herein, any moneys held as part of the Revenue Fund, the Bond Fund, the Issuance Cost Fund, the Surplus Fund, the Repair, Replacement, and Maintenance Fund, the Project Fund, the Insurance Fund, the Condemnation Fund, the Operating Fund, the Operation and Maintenance Reserve Fund, the Rebate Fund or as reserves in connection with contested liens or any other special trust funds will be invested or reinvested by the Trustee at the written direction of an Authorized Company Representative in such Permitted Investments as may be designated by the Company, which designation must not contain directions contrary to State law.

The investments so purchased will be held by the Trustee and deemed at all times a part of the Revenue Fund, the Bond Fund, the Issuance Cost Fund, the Surplus Fund, the Repair, Replacement, and Maintenance Fund, the Project Fund, the Insurance Fund, the Condemnation Fund, the Operating Fund, the Operation and Maintenance Reserve Fund, the Rebate Fund or the trust account described in the preceding paragraph, as the case may be, and the interest accruing thereon and any profit realized therefrom will be credited as provided in the Indenture, and any losses resulting from such investments will be charged to such fund and paid by the Company.

Special Investment Covenants

The Issuer and the Company each covenant that it will not directly or indirectly use or permit the use of any proceeds (as defined in the Code) of any Tax-Exempt Bonds or any other funds of the Issuer or the Company, or take or omit to take any action, or direct the Trustee to invest any funds held by it, in such manner as will cause any Tax-Exempt Bond to be “arbitrage bonds” within the meaning of Section 148 of the Code or to be “federally guaranteed,” as such term is used and defined in section 149(b) of the Code to the extent applicable to any Tax-Exempt Bonds.

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 damage, 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 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 it will maintain its legal existence as a Georgia limited liability company, not merge into another entity or permit another entity to merge into it, and will not dissolve or otherwise dispose of all or substantially all of its assets. The Company may, without violating the Loan Agreement, merge, 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 agreed to preserve and keep in full force and effect all licenses, accreditation, and permits necessary to the proper conduct of its business.

Operation of Project

In the Loan Agreement, the Company warranted 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 covenanted and agreed 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 agreed 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, certain provisions of its operating agreement.

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 agreed 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 by 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 reserved 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 to 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 either of the applicable Security Deeds 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 described 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 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 continues undismissed or an order, judgment, or decree approving or ordering any of the foregoing is entered and continues 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 (at the direction of the Majority Bondowners), 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 are 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 described under the heading “SUMMARY OF THE INDENTURE – Application of Moneys upon an Event of Default” 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 described under this heading “Remedies on Default” at the direction of the Majority Bondowners.

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 is 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 the 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 are, 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 2019 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 2019 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 2019 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 June 1, 2019, the amount payable on June 15, 2019 as interest on the corresponding Project Bonds, and on or before each December 1 and June 1 thereafter, the amount payable on the next succeeding Interest Payment Date as interest on the corresponding Project Bonds, as provided in the Indenture and shown on Schedule I of the corresponding Amended Note;

(b) on or before June 1, 2019 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, as provided in the Indenture and shown on Schedule I of the corresponding Amended Note; 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 to the subsection of the First Supplemental Indenture entitled “Mandatory Sinking 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 agrees to pay (i) 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, (4) the portion of the annual fee of the Issuer allocable to the corresponding Project, (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, (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 2019 Bonds for acting as paying agents as provided in the Indenture allocable to the corresponding Project, as and when the same become due, (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 2019 Bonds that are contemplated by the Loan Agreement and the Indenture and allocable to the applicable Project.

Such Additional Loan Payments in (i) (5) through (7), (ii), and (iii) above will be billed to the Company by the Issuer, the Trustee, or Bond Counsel from time to time. Amounts so billed will be paid by the Company within thirty (30) days after receipt of the bill by the Company. Payment of Additional Loan Payments will be made from the corresponding account within the Revenue Fund.

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 agrees 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 that 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 such related 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 of the Security Deed 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 the Ground Lessor, and (ii) the rejection of the Ground Lease by the Ground Lessor, as debtor in possession, or by a trustee for the Ground Lessor, pursuant to Section 365 of the Bankruptcy Code;

(e) all buildings, structures, and improvements of every nature now or in the future 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 the 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 paragraph (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 Agreements), management or operations agreements, and arrangements of any sort now or in the future 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 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 on the Rents and the pledge or assignment of the

Rents 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 to do so, 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 defined herein under the heading “SUMMARY OF THE SECURITY DEEDS - Events of Default”) 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 must:

(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 must be free of all liens, security interests, and encumbrances (other than Permitted Title Exceptions and other Permitted Encumbrances), must become subject to the security interest of the Security Deed, and must 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 must 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, the Company must pay to the Trustee an amount equal to the greater of the amounts and credits received for the Equipment or the fair market value of the Equipment 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 described in (b) above, the removal from the Project of any portion of the Equipment pursuant to the provisions described above 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 is required to report promptly to the Trustee each such removal, substitution, sale, or other disposition described in (b) above and must pay to the Trustee such amounts as are required to be paid by the provisions described in (b) above 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 may 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 each Security Deed described herein under the heading “**SUMMARY OF THE SECURITY DEEDS – Insurance Policies,**” the insurance policies required to be maintained with respect to the Premises pursuant to the terms of each 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 each Security Deed includes 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.

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 described herein under the headings “**SUMMARY OF THE LOAN AGREEMENT - Damage and Destruction and - Condemnation.**”

Insurance Required

The Company will keep the Premises or cause the same to be kept continuously insured against such risks as are customarily insured against with respect to facilities of like size and type, as recommended by an Insurance Consultant engaged at least every two (2) years after the initial certification required to be made by the Insurance Consultant (as described below) by the Company at its expense for such purpose, paying as the same become due all premiums in respect thereto, including but not limited to:

(i) *Workers' Compensation Insurance.* The Company will agree 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 of the State of Georgia approving the group insurance plan. The Company will require all subcontractors performing work or occupying the Project to obtain an insurance certificate showing proof of Workers' Compensation and will submit a certificate on the letterhead of the Company in the following language prior to the commencement of construction:

"This is to certify that all contractors and subcontractors performing work or occupying the Project are covered by their own workers' compensation insurance or are covered by the Company's workers' compensation insurance."

(ii) *Employers' Liability Insurance.* The Company will 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 and with a deductible not exceeding \$10,000 per occurrence.

The Company will require all contractors and subcontractors performing work or occupying the Project to obtain an insurance certificate showing proof of Employers' Liability Insurance Coverage and will submit a certificate on the letterhead of the Company in the following language prior to the commencement of occupancy:

"This is to certify that all contractors and subcontractors performing work or occupying the Project are covered by their own employers' liability insurance or are covered by the Company's employers liability insurance."

(iii) *Commercial General Liability Insurance.* The Company will provide Commercial General Liability Insurance (1993 ISO Occurrence Form or equivalent) which must 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 must provide at a minimum the following limits:

<u>Coverage</u>	<u>Limit</u>
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

*Required only during the term of any construction.

Additional requirements for Commercial General Liability Insurance:

(1) The policy must name as additional insureds the officers, managers, members, and employees of the Company, the Board of Regents and the State of Georgia, but only with respect to claims that arise out of the occupancy under the Rental 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.

(5) The deductible must not exceed \$10,000 per occurrence.

(iv) *Commercial Business Automobile Liability Insurance.* The Company will provide Commercial Business Automobile Liability Insurance which must 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 must provide not less than \$1,000,000 Combined Single Limits for each occurrence.

Additional requirements for Commercial Business Automobile Liability Insurance:

(1) The policy must name as additional insureds the officers, managers, members and employees of the Company, the Board of Regents and the State of Georgia, but only with respect to claims arising out of the occupancy under the Rental 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 deductible must not exceed \$10,000 per occurrence.

(v) *Commercial Umbrella Liability Insurance.* The Company will 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 must be:

(1) \$2,000,000 per occurrence; and

(2) \$2,000,000 aggregate.

Additional requirements for Commercial Umbrella Liability Insurance:

(1) The policy must name as additional insureds the officers, managers, members, agents and employees of the Company, the Board of Regents and the State of Georgia, but only with respect to claims arising out of work or occupancy of the Premises under the Rental 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 deductible must not exceed \$10,000 per occurrence.

(vi) *Builders Risk Insurance.* During any period of construction only, the Company will provide a Builder's Risk Insurance Policy to be payable to the Trustee for deposit in the corresponding account within the Insurance Fund created under the Indenture and the Company as their interest may appear. The policy amount must be equal to 100% of the improvements construction contract sum, written on a 1991 Causes of Loss - Special Form, or its equivalent. The policy for the initial construction of the Project must include business interruption coverage in an amount equal to at least 24 months of the average annual debt service that is payable under the corresponding Promissory Note. All deductibles must be the sole responsibility of the Company or the contractor, and in no event will the amount of any deductible exceed \$10,000. The policy must 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 Board of Regents or the Company; and
- (3) Performance of work in connection with construction operations insured by the Company or the Board of Regents, by agents or subtenants, other contractors of the Company or the Board of Regents, or by contractors of the Company or the Board of Regents.

(vii) *Property Insurance.* After the Project is completed, the Company will provide a Fire and Hazard Property Insurance Policy to be made payable to the Trustee for deposit to the corresponding Project Account of the Insurance Fund. The policy amount must be equal to 100% of the replacement value of the improvements, written on 1991 Causes of Loss - Special Form, or its equivalent. All deductibles will be the sole responsibility of the Company, and in no event will the amount of any deductible exceed \$10,000.

(viii) *Rental Interruption Insurance.* After the Project is completed, the Company will provide a Rental Interruption Insurance Policy. Such policy must 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).

(ix) *Crime and Fidelity Insurance.* The Company will provide fidelity bonds or crime and fidelity insurance covering dishonest acts by any employees of the Company who collect or have custody or access to revenues, receipts, or funds of the Project.

The Issuer and the Trustee will be named as additional insureds under the policies required to be maintained by the Company pursuant to preceding subclauses (i) through (v) (inclusive). The Trustee will be the loss payee of the policies required to be maintained by the Company pursuant to the preceding subclauses (vi) through (vii) (inclusive). The Net Proceeds of the insurance carried pursuant to the provisions of the preceding subclauses (vi) and (vii) will be paid and applied as provided in the Loan Agreement, and the Net Proceeds of insurance carried pursuant to the provisions of the preceding subclauses (i) through (v) (inclusive) must be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid. The Net Proceeds of the insurance carried pursuant to the provisions of the preceding subclauses (viii) and (ix) must be disbursed to the Trustee for deposit in the corresponding account within the Revenue Fund created under the Indenture.

All insurance required by the Security Deed will be taken out and maintained with insurance companies that meet the requirements of the corresponding Rental Agreement. All such policies must meet the requirements of the corresponding Rental Agreement. To the extent the requirements of the Security Deed and the corresponding Rental Agreement conflict, the more stringent requirements must control.

Notwithstanding anything in the Security Deed to the contrary, to the extent approved by Ground Lessor pursuant to the terms and provisions of the corresponding Ground Lease, during the initial construction of the Project, the requirements of the Security Deed with respect to certain liability insurance coverages will be deemed satisfied provided that the Company causes its applicable contractors to maintain insurance meeting or exceeding such requirements.

The original or a copy of each insurance policy or fidelity bond required by the Security Deed, or a certificate that the same has been issued and currently is in effect, will be delivered to the Trustee.

The Company will deliver or cause to be delivered to the Trustee (i) promptly after completion of the Project, a certificate of an Insurance Consultant to the effect that the insurance policies maintained by the Company comply with the requirements of the Security Deed, (ii) not less than forty-five (45) days prior to the expiration date of any of the insurance policies required to be maintained under the Security Deed, evidence that such insurance policies will be renewed or replaced, and (iii) prior to the expiration date of such insurance policies, among other things, an original of the certificate of insurance and evidence of payment of the applicable premium for such renewal or replacement. Certified copies of such replacement insurance policies or a certificate of the insurer that the same has been issued and is

in full force and effect must be delivered to the Trustee promptly after the Company's receipt thereof, but in any case within thirty (30) days after receipt thereof by the Company. The Company has the right to carry the insurance provided in the Security Deed or any portion thereof under allocated value blanket policies approved by the Insurance Consultant, but certificates evidencing that the above-described insurance policies are in full force and effect, together with copies of the blanket policies, must be supplied to the Trustee.

The Company must comply or cause compliance with all terms of any insurance policy required to be obtained hereunder covering or applicable to the Project or any part thereof, all requirements of the issuer of any such policy, and all orders, rules, regulations, and other requirements of the national board of fire underwriters (or any other body exercising similar functions) applicable to or affecting the Project or any part thereof or any use of the Project or any part thereof (collectively, "Insurance Requirements") before the expiration of any applicable extension or grace period and must not bring or knowingly keep or permit to be brought or kept any article upon the Project or knowingly cause or permit any condition to exist thereon that would be prohibited by any Insurance Requirement, or would invalidate insurance coverage required hereunder to be maintained by the Company on or with respect to any part of the Project.

All insurance required by the Security Deed must be taken out and maintained in generally recognized responsible insurance companies rated not less than "A" by S&P or A.M. Best & Co., with a financial rating size of Class IX or larger, and qualified to issue such policies in the State of Georgia, selected by the Company and subject to the approval of the Trustee, which approval must not be unreasonably withheld. All policies evidencing such insurance are subject to the approval of the Trustee, which approval must not be unreasonably withheld. All such policies must provide that such insurance may not be modified adversely to the interests of the Company, the Issuer or the Trustee or cancelled by the issuer thereof without at least thirty (30) days' written notice to the Company, the Issuer and the Trustee.

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 each Security Deed or fails to keep the related 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 each 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 agreed to pay on demand and payment of which will be secured by the related Security Deed. Any remedy vested in the Issuer or the Trustee under each 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 Majority Bondowners 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 given to the Company by the Issuer in the manner provided in the Security Deed, 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 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 is made under any process on the Premises or any part thereof and is not promptly lifted or stayed; or

(d) the Company (i) applies for or consents 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 is 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 undismissed or an order, judgment, or decree approving or ordering any of the foregoing is entered and continues unvacated and unstayed 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 cure period) (unless waived by the Ground Lessor); (ii) there occurs any default (beyond any applicable notice and 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 the Ground Lessor or which would entitle the 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 the Ground Lessor); (iv) if the Leasehold Estate is surrendered or the Ground Lease is 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 (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 Majority Bondowners, 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 must surrender possession of the Property and of such books, records, and accounts to the Issuer upon demand, and thereupon the Issuer may (i) 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 described below immediately following paragraph (i);

(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;

(f) obtain appropriate evidence of matters of title affecting the Project and any underlying estate or interest, and 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," including judicial foreclosure and the exercise without judicial foreclosure of a power of sale with respect to the Project;

(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

(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").

Exculpation

The liability of the Company under the Security Deed is limited to the interest of the Company in the Premises. In the event of foreclosure of the Security Deed, no judgement for any deficiency upon the Indebtedness may be sought or obtained by the Issuer, the Trustee, or the Bondholders against the Company.

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 2019 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 Amended Notes, (iii) the Security Deeds, and (iv) 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:

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

Operation and Maintenance Reserve Fund
Surplus Fund
Rebate Fund

Revenue Fund

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

- (1) Columbus State Account;
- (2) Southern Polytechnic Account; and
- (3) 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 Columbus State Rental Agreement will be deposited in the Columbus State Account of the Revenue Fund;
- (2) 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 (10th) day of each June and December, the Trustee will make the following payments and transfers from:

- (a) the Columbus State Account of the Revenue Fund, provided that in the event funds on any such date are insufficient to make any one or more of such transfers, any and all of such deficiencies must 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 Columbus State Account of the Bond Fund, the amount designated for debt service on the Columbus State Bonds in the Columbus State Rental Agreement;

SECOND, to the Columbus State Account of the Repair, Replacement, and Maintenance Fund the amount listed in the Columbus State Rental Agreement or, if the Columbus State Rental Agreement has been terminated, to the Columbus 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 Columbus 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 Columbus State Bonds; and

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

- (b) the Southern Polytechnic Account of the Revenue Fund, provided that in the event funds on any such date are insufficient to make any one or more of such transfers, any and all of such deficiencies must 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) day of each June and December and after the payments to each project Account of the Bond Fund as described above, the Trustee will make the following payments and transfers from the General Account of the Revenue Fund, provided that in the event funds on any such date are insufficient to make any one or more of such transfers, any and all of such deficiencies will 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) Columbus State Account;
- (2) Southern Polytechnic Account; and
- (3) General Account.

There will be deposited in each particular project Account of the Bond Fund, as and when received, (i) all corresponding 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 funds 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) Columbus State Account;
- (2) Southern Polytechnic Account; and
- (3) 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 has authorized and directed 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) Columbus State Account;
- (2) Southern Polytechnic Account; and
- (3) 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) Columbus State Account;
- (2) Southern Polytechnic Account; and
- (3) 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) Columbus State Account;
- (2) Southern Polytechnic Account; and
- (3) 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 to the applicable account of the Project Fund to pay the costs of making all necessary alterations and repairs that are 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) Columbus State Account;
- (2) Southern Polytechnic Account; and
- (3) 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 described in FIRST through FOURTH 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 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) Columbus State Account;
- (2) Southern Polytechnic Account; and
- (3) General Account

There will 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.

The funds held on any account of the Surplus Fund as of the end of the immediately preceding Fiscal Year will be distributed to the Company to be used for any lawful purpose upon receipt by the Trustee of a certificate of an Authorized Company Representative that (i) based on annual audited financial statements of the Company, the Debt Service Coverage Ratio requirements contained in the related Security Deed have been met, (ii) each of the related accounts in the Operation and Maintenance Reserve Fund, the Repair, Replacement, and Maintenance Fund, and the Operating Fund, contain the amounts required by the Indenture or by the related Security Deeds, and (iii) no Event of Default has occurred and is continuing under the related Security Deed.

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 described herein under the heading “**SUMMARY OF THE LOAN AGREEMENT - Investment of Funds and Accounts.**” 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. 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. 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, and funding a debt service reserve fund and such other costs reasonably related to the financing as is 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 2019 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 provision 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.

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 paragraph above with respect to payment of such Bond (i) if there is 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 has 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 has 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 described in (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 to become includable in gross income for federal income tax purposes. Neither Government Obligations nor

moneys deposited with the Trustee pursuant to the provisions of the Indenture described under this “Discharge of Lien” heading nor principal or 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 described in (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 have not in fact been actually paid in full, no amendment to the applicable provisions of the Indenture described in this “Discharge of Lien” heading may 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, and
- (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 may 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.

If an Event of Default occurs and is continuing, and if requested to do so by the Majority Bondowners and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers described above as the Trustee, being advised by counsel, will deem most expedient in the interests of all Bondholders. The Majority Bondowners have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, provided the Trustee is indemnified pursuant to the Indenture, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or in connection with the appointment of a receiver or in connection with any other proceedings under the Indenture; provided, that such direction must not be otherwise than in accordance with the provisions of law and of the Indenture.

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 paragraph (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 described above, 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 applies 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 of the Indenture 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 manner as to permit the qualification 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 determines (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 (i) 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 as provided under this "Amendments to Indenture and Supplemental Indentures Not Requiring Consent of Bondholders" heading, there must 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 described above, Owners of not less than two-thirds (2/3) in aggregate principal amount of Bonds then Outstanding 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 Indenture permits, or will 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 be delivered to the Issuer and the Trustee a Favorable Opinion of Bond Counsel. If at any time the Issuer requests the Trustee to enter into any such amendment or supplemental indenture for any of the purposes described above, 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. If, 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.

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 must 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 described 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 the provisions of the Indenture described above under the heading “**SUMMARY OF THE INDENTURE - Amendments to Indenture and Supplemental Indentures Requiring Consent of Bondholders.**” 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.

APPENDIX C
FORM OF BOND COUNSEL OPINION

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FORM OF OPINION OF BOND COUNSEL

March __, 2019

Georgia Higher Education Facilities Authority
Atlanta, Georgia

Re: \$58,395,000 Georgia Higher Education Facilities Authority Refunding Revenue
Bonds (USG Real Estate Foundation II, LLC Projects), Series 2019

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 \$58,395,000 in original aggregate principal amount of revenue bonds designated “Georgia Higher Education Facilities Authority Refunding Revenue Bonds (USG Real Estate Foundation II, LLC Projects), Series 2019,” 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 April 29, 2009, as supplemented and amended by a Supplemental Resolution of the Issuer adopted on July 15, 2009, and a Series 2019 Bond Resolution of the Issuer adopted on February 21, 2019 (collectively the “Bond Resolution”).

3. Certified copy of an Approving Resolution of the Georgia State Financing and Investment Commission adopted on December 15, 2016, 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 July 1, 2009, as supplemented and amended by the First Supplemental Trust Indenture, dated as of March 1, 2019 (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 July 1, 2009, as supplemented and amended by the First Amendment to Loan Agreement, dated as of March 1, 2019 (collectively the “Loan Agreement”), between the Issuer and USG Real Estate Foundation II, LLC (the “Company”).

7. Fully executed original of the Amended and Restated Columbus State Note, dated the date hereof (the “Columbus State Note”), from the Company to the Issuer, in the original principal amount of \$24,675,000, 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 July 1, 2009, 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 March 1, 2019 (collectively the “Columbus State Security Deed”), by the Company to the Issuer.

9. Fully executed counterpart of the Assignment of Contract Documents, dated as of July 1, 2009 (the “Columbus State Contracts Assignment”), by the Company in favor of the Issuer.

10. Fully executed original of the Amended and Restated Southern Polytechnic Note, dated the date hereof (the “Southern Polytechnic Note”), from the Company to the Issuer, in the original principal amount of \$33,720,000, 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 July 1, 2009, 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 March 1, 2019 (collectively the “Southern Polytechnic Security Deed”), by the Company to the Issuer.

12. Fully executed counterpart of the Assignment of Contract Documents, dated as of July 1, 2009 (the “Southern Polytechnic Contracts Assignment”), by the Company in favor of the Issuer.

13. 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.

14. Fully executed counterpart of the Company’s Tax Certificate, dated the date hereof (the “Tax Certificate”).

15. 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 a portion of the Issuer's Revenue Bonds (USG Real Estate Foundation II, LLC Project), Series 2009A (the "Prior Bonds"), presently outstanding in the aggregate principal amount of \$68,000,000, 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 Columbus State 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) a student recreation center located on the campus of Columbus State University in Columbus, Georgia (the "Columbus State Project") and (B) student housing and dining facilities 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 Columbus State 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 Columbus State Note and the Southern Polytechnic Note (each an "Amended Note" and collectively the "Amended Notes"); the Columbus State Security Deed and the Southern Polytechnic Security Deed (each a "Security Deed" and collectively the "Security Deeds"); the Columbus State 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 First

American 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 taxpayers other than corporations. 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.

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,

**NELSON MULLINS RILEY &
SCARBOROUGH LLP**

By: _____
Earle R. Taylor, III, Partner

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APPENDIX D
FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of March 27, 2019, is executed and delivered by USG Real Estate Foundation II, LLC (the “Company”), a Georgia limited liability company whose sole member is the University System of Georgia Foundation, Inc. and whose manager is USGREF Manager, LLC (“USGREF”), and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement relate solely to the execution of instructions received from the Company through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Company or anyone on the Company’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements of the University System, the Company and each Participating Constituent Institution for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Company and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Company pursuant to Section 9 hereof.

“Disclosure Representative” means the Vice President of USGREF or his or her designee, or such other person as the Company shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Company’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access (EMMA) system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a computer virus, electric service delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means the Georgia Higher Education Facilities Authority.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 – <http://emma.msrb.org>.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Company, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” means the Official Statement dated February 21, 2019 prepared by the Company in connection with the Bonds listed on Exhibit A hereto.

“Participating Constituent Institution” shall have the meaning ascribed to such term in the Official Statement.

“Trustee” means Wells Fargo, Bank National Association as the trustee under the Trust Indenture dated as of July 1, 2009, as amended by a First Supplemental Trust Indenture dated as of March 1, 2019, each between the Issuer and the Trustee.

“University System” means the University System of Georgia and its successors and assigns.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Company shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy to the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than the last day of the second fiscal quarter following the end of each fiscal year of the Company, commencing with the fiscal year ending June 30, 2019 (i.e., currently, each December 31st); *provided that* the Disclosure Dissemination Agent shall provide Audited Financial Statements of the University System to the MSRB not later than one year following the end of each fiscal year of the University System, commencing with the fiscal year ending June 30, 2019. Such date and each anniversary thereof is the Annual Filing Date. 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 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative in writing (which may be by e-mail) to remind the Company of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) inform the Disclosure Dissemination Agent in writing that the Company will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to send a notice to the MSRB in substantially the form attached as Exhibit B on or immediately following the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report and the procedures in Section 2(b)(ii) have not been completed by the Company, a Failure to File Event shall have occurred and the Company irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the

anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the University System, the Company or any of the Participating Constituent Institutions are prepared but not available prior to the Annual Filing Date, the Company shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy to the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Company pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 1. “Principal and interest payment delinquencies;”
 2. “Non-Payment related defaults, if material;”
 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
 5. “Substitution of credit or liquidity providers, or their failure to perform;”
 6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
 7. “Modifications to rights of securities holders, if material;”
 8. “Bond calls, if material;”
 9. “Tender offers;”
 10. “Defeasances;”
 11. “Release, substitution, or sale of property securing repayment of the securities, if material;”
 12. “Rating changes;”

13. “Bankruptcy, insolvency, receivership or similar event of the Obligated Person;”
 14. “Consummation of a merger, consolidation or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the 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 action, other than pursuant to its terms, if material;”
 15. “Appointment of a successor or additional trustee or the change of name of a trustee, if material”;
 16. “Incurrence of a financial obligation of the obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material”; and
 17. “Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties”.
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Company pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking;”
 2. “change in obligated person;”
 3. “notice to investors pursuant to bond documents;”
 4. “certain communications from the Internal Revenue Service;”
 5. “secondary market purchases;”
 6. “bid for auction rate or other securities;”
 7. “capital or other financing plan;”
 8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”
and
 10. “other event-based disclosures;”
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Company pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. “quarterly / monthly financial information;”
 2. “change in fiscal year / timing of annual disclosure;”
 3. “change in accounting standard;”
 4. “interim / additional financial information / operating data;”
 5. “budget;”
 6. “investment / debt / financial policy;”
 7. “information provided to rating agency, credit / liquidity provider or other third party;”
 8. “consultant reports;” and
 9. “other financial / operating data;”
- (viii) provide the Company evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Company may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports. Each Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP, will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

(b) An update of the financial information and operating data of the type contained in the Official Statement under the captions entitled “THE BOARD OF REGENTS—Summary of Appropriation Allotments to Board of Regents” and “THE BOARD OF REGENTS—State Treasury Receipts” and in Appendix A to the Official Statement under the sub-captions entitled “-Enrollment,” and “-Admissions” and “-Tuition and Fees.”

Any or all of the items listed above may be incorporated by specific reference from other documents, including official statements of debt issues with respect to which the Company is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB's Internet website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Company will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information must explain in narrative form the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on the debt service reserves reflecting financial difficulties;
4. Unscheduled draws on the credit enhancements reflecting financial difficulties;
5. Substitution of the credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of the obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the Notice Events in this Section 4(a) listed under (15) and (16) above, the term “financial obligation” means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided that such term does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Company shall promptly, not in excess of 10 business days after the occurrence of the event, notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Company desires to make, contain the written authorization of the Company for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Company desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Company or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Company determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Company desires to make, contain the written authorization of the Company for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Company desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Company as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Company shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Company acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Company, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Company acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Company may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Company desires to make, contain the written authorization of the Company for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Company desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Company as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Company may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Company desires to make, contain the written authorization of the Company for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Company desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Company as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(c) The parties hereto acknowledge that the Company is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure or any Voluntary Financial Disclosure.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Company from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Company chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Company shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Company and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to each series of the Bonds upon the legal defeasance, prior redemption or payment in full of all of such series of the Bonds, when the Company is no longer an obligated person with respect to such series of the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Company has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Company may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Company or DAC, the Company agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Company shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Company.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Company or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Company has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Company and shall not be deemed to be acting in any fiduciary capacity for the Company, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Company's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no

duty to determine, or liability for failing to determine, whether the Company has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Company at all times.

The obligations of the Company under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Company.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Company and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Company and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Company nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Company. No such amendment shall become effective if the Company shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Company, the Trustee, the Disclosure Dissemination Agent, the underwriter of the Bonds, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Georgia. The Disclosure Dissemination Agent consents to the jurisdiction of Georgia courts for enforcement of this Disclosure Agreement.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

[COUNTERPART SIGNATURE PAGE TO DISCLOSURE DISSEMINATION AGENT AGREEMENT]

The Disclosure Dissemination Agent and the Company have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Diana O'Brien
Vice President

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

[COUNTERPART SIGNATURE PAGE TO DISCLOSURE DISSEMINATION AGENT AGREEMENT]

USG REAL ESTATE FOUNDATION II, LLC

By: USGREF MANAGER, LLC, its manager

By: _____
Karen N. McCauley
Vice President

EXHIBIT A
NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer Georgia Higher Education Facilities Authority
Obligated Person(s) USG Real Estate Foundation II, LLC
Name of Bond Issue: Refunding Revenue Bonds (USG Real Estate Foundation II, LLC
Projects), Series 2019
Date of Issuance: March 27, 2019
Date of Official Statement February 21, 2019

<u>Maturity (June 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
2020	\$1,795,000	5.00%	1.72%	373511HJ6
2021	1,880,000	5.00	1.76	373511HK3
2022	1,975,000	5.00	1.88	373511HL1
2023	2,070,000	5.00	1.92	373511HM9
2024	2,175,000	5.00	1.97	373511HN7
2025	2,280,000	5.00	2.09	373511HP2
2026	2,400,000	5.00	2.19	373511HQ0
2027	2,520,000	5.00	2.29	373511HR8
2028	2,640,000	5.00	2.41	373511HS6
2029	2,775,000	5.00	2.52	373511HT4
2030	2,915,000	5.00	2.69	373511HU1
2031	3,055,000	5.00	2.83	373511HV9
2032	3,210,000	3.00	3.15	373511HW7
2033	3,310,000	5.00	2.97	373511HX5
2034	3,475,000	5.00	3.01	373511HY3
2035	3,645,000	5.00	3.04	373511HZ0
2036	3,830,000	4.00	3.44	373511JA3
2037	3,985,000	4.00	3.53	373511JB1
2038	4,145,000	4.00	3.60	373511JC9
2039	4,315,000	4.00	3.65	373511JD7

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer Georgia Higher Education Facilities Authority
Obligated Person(s) USG Real Estate Foundation II, LLC
Name of Bond Issue: Refunding Revenue Bonds (USG Real Estate Foundation II, LLC
 Projects), Series 2019
Date of Issuance: March 27, 2019

Issuer's Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

NOTICE IS HEREBY GIVEN that USG Real Estate Foundation II, LLC (the "Company") has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement between the Company and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Company has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Company

cc: Issuer
 Obligated Persons

EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to the Municipal Securities Rulemaking Board, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Persons' Names:

USG Real Estate Foundation II, LLC (the "Company")

Issuer's Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages of attached: _____

____ Description of Notice Events (Check One):

1. Principal and interest payment delinquencies
2. Non-Payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, IRS notices or events affecting the tax status of the security
7. Modifications to rights of securities holders, if material
8. Bond calls, if material
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities, if material
11. Rating changes
12. Tender offers
13. Bankruptcy, insolvency, receivership or similar event of the obligated person
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. Consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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 action, other than pursuant to its terms, if material;
16. Incurrence of a financial obligation of the obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material
17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

____ Failure to provide annual financial information as required

I hereby represent that I am authorized by the Company or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

**EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying “voluntary event disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of March 27, 2019 between USG Real Estate Foundation II, LLC (the “Company”) and DAC.

Issuer’s and/or Other Obligated Persons’ Names:

USG Real Estate Foundation II, LLC

Issuer’s Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1. _____ “amendment to continuing disclosure undertaking;”
2. _____ “change in obligated person;”
3. _____ “notice to investors pursuant to bond documents;”
4. _____ “certain communications from the Internal Revenue Service;”
5. _____ “secondary market purchases;”
6. _____ “bid for auction rate or other securities;”
7. _____ “capital or other financing plan;”
8. _____ “litigation/enforcement action;”
9. _____ “change of tender agent, remarketing agent, or other on-going party;”
10. _____ “other event-based disclosures.”

I hereby represent that I am authorized by the Company or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of March 27, 2019 between USG Real Estate Foundation II, LLC (the “Company”) and DAC.

Issuer’s and/or Other Obligated Persons’ Names:

USG Real Estate Foundation II, LLC

Issuer’s Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1. _____ “quarterly/monthly financial information;”
2. _____ “change in fiscal year/timing of annual disclosure;”
3. _____ “change in accounting standard;”
4. _____ “interim/additional financial information/operating data;”
5. _____ “budget;”
6. _____ “investment/debt/financial policy;”
7. _____ “information provided to rating agency, credit/liquidity provider or other third party;”
8. _____ “consultant reports;”
9. _____ “other financial/operating data.”

I hereby represent that I am authorized by the Company or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

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APPENDIX E
COPY AND FORM OF RENTAL AGREEMENTS

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Counterpart No. 1 of Two Original Executed
Counterparts.
Counterpart of the Landlord

STATE OF GEORGIA;
COUNTY OF FULTON:

COLUMBUS STATE UNIVERSITY STUDENT RECREATION CENTER
RENTAL AGREEMENT

THIS RENTAL AGREEMENT (hereinafter "Agreement"), made and entered into this 23rd day of July, 2009, by and between **USG REAL ESTATE FOUNDATION II, LLC**, whose address is 270 Washington Street, Atlanta, Georgia 30334 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 Columbus State University, 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"):

WITNESSETH:

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 Muscogee County, Georgia, and more particularly described in Exhibit "C", which is attached hereto and incorporated herein by this reference, including an approximately 102,850 square foot student recreation center and site amenities, 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 August 1, 2010 ("hereinafter referred to as the "Commencement Date"), and ending at 11:59 o'clock P.M. on June 30, 2011 (hereinafter referred to as the "Expiration Date"), unless terminated earlier as hereinafter provided (hereinafter referred to as the "Initial Term").

1

E-1


Landlord

Tenant

**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 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, 2039, 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 Columbus State University, 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.

(SIGNATURES BEGIN ON NEXT PAGE)



Landlord


Tenant

USG REAL ESTATE FOUNDATION II, LLC, a Georgia limited liability company

By: USGREF Manager, LLC, a Georgia limited liability company, Its Manager

By: [Signature] L.S.
Authorized Representative

Signed As to Landlord,
in the presence of:

[Signature]
Unofficial Witness

[Signature]

(SEAL)



BOARD OF REGENTS OF THE
UNIVERSITY SYSTEM OF GEORGIA

By: [Signature]
Vice Chancellor for Facilities

Attest: [Signature]
Assistant Vice Chancellor for Facilities

SIGNED as to Board Of Regents of
the University System of Georgia
in the presence of:

[Signature]
Unofficial Witness

[Signature]
Notary Public



(SEAL)

Approval of Institution
By: [Signature]
President

[Signature]
Landlord
[Signature]
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 Tenant's 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.

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.

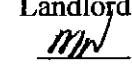
(b) Policy Provisions. Each of the insurance coverages required (i) shall be issued by a company licensed by the Insurance Commissioner to transact the business of insurance in the State of Georgia for the applicable line of insurance, and (ii) shall be issued by an insurer (or, for qualified self-insured 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.

(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.



Landlord


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


Landlord

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



Landlord


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


Landlord

Tenant

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



Landlord


Tenant

(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.

**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, 2016, 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 Columbus State University 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

Exhibit "C"
Muscogee County – Columbus State University
Leasehold Parcel 1 - Ground Lease Limits

All that tract or parcel of land lying and being in Land Lot 33, 8th District Columbus, Muscogee County, Georgia being more particularly described as follows:

Commence at a concrete monument located at the intersection of the southeasterly right-of-way of Gentian Boulevard (right-of-way varies) and the southerly right-of-way of University Avenue; thence South 03 degrees 40 minutes 50 seconds West, 679.58 feet to a rebar and cap and the **POINT OF BEGINNING**; thence South 89 degrees 30 minutes 34 seconds East, 16.23 feet to a rebar and cap; thence along the arc of a clockwise curve (said arc having a radius of 234.38 feet and being subtended by a 144.30 foot chord bearing North 67 degrees 26 minutes 07 seconds East), 146.88 feet to a pk nail; thence North 00 degrees 29 minutes 26 seconds East, 10.82 feet to a pk nail; thence South 89 degrees 30 minutes 34 seconds East, 13.33 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 2.0 feet to a pk nail; thence South 89 degrees 30 minutes 34 seconds East, 128.83 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 66.67 feet to a pk nail; thence South 89 degrees 30 minutes 34 seconds East, 39.17 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 111.08 feet to a pk nail; thence South 89 degrees 30 minutes 34 seconds East, 24.33 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 13.33 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 13.03 feet to a pk nail; thence along the arc of a clockwise curve (said arc having a radius of 203.03 feet and being subtended by a 192.72 foot chord bearing South 55 degrees 32 minutes 35 seconds West), 200.81 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 11.02 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 31.33 feet to a pk nail; thence North 00 degrees 29 minutes 26 seconds East, 35.67 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 107.33 feet to a pk nail; thence North 00 degrees 29 minutes 26 seconds East, 189.0 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 20.33 feet to a pk nail; thence North 00 degrees 29 minutes 26 seconds East, 9.17 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 24.67 feet to a rebar and cap; thence North 00 degrees 29 minutes 26 seconds East, 13.33 feet to a rebar and cap and the **POINT OF BEGINNING**.

Containing 1.745 acres as shown on that certain ALTA/ACSM Survey dated May 15, 2009 and last revised on July 6, 2009, prepared by Moon, Meeks, Mason & Vinson, Inc., bearing the seal of A. B. Moon, Jr., GRLS No.: 782, dated July 13, 2009.


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."

(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.

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"

Exhibit "E"
Columbus State University
Recreation Center

Rental Agreement Commencement Date: 8/1/2010
Rental Agreement Termination Date: last option period ends 6/30/2039
Rental Payment to be Made Semi-Annual: December 1 and June 1

Fiscal Year Beginning	Fiscal Year End	Annual Base Rent	Annual Additional Rent	Annual Total Rent	Semi-Annual Total Rent
7/1/2010	6/30/2011	978,263	98,000	1,076,263	538,132
7/1/2011	6/30/2012	2,336,299	100,940	2,437,239	1,218,620
7/1/2012	6/30/2013	2,336,299	103,968	2,440,267	1,220,134
7/1/2013	6/30/2014	2,336,299	107,087	2,443,386	1,221,693
7/1/2014	6/30/2015	2,336,299	110,300	2,446,599	1,223,300
7/1/2015	6/30/2016	2,336,299	113,609	2,449,908	1,224,954
7/1/2016	6/30/2017	2,336,299	117,017	2,453,316	1,226,658
7/1/2017	6/30/2018	2,336,299	120,528	2,456,827	1,228,414
7/1/2018	6/30/2019	2,336,299	124,143	2,460,442	1,230,221
7/1/2019	6/30/2020	2,336,299	127,868	2,464,167	1,232,084
7/1/2020	6/30/2021	2,336,299	131,704	2,468,003	1,234,002
7/1/2021	6/30/2022	2,336,299	135,655	2,471,954	1,235,977
7/1/2022	6/30/2023	2,336,299	139,725	2,476,024	1,238,012
7/1/2023	6/30/2024	2,336,299	143,916	2,480,215	1,240,108
7/1/2024	6/30/2025	2,336,299	148,234	2,484,533	1,242,267
7/1/2025	6/30/2026	2,336,299	152,681	2,488,980	1,244,490
7/1/2026	6/30/2027	2,336,299	157,261	2,493,560	1,246,780
7/1/2027	6/30/2028	2,336,299	161,979	2,498,278	1,249,139
7/1/2028	6/30/2029	2,336,299	166,838	2,503,137	1,251,569
7/1/2029	6/30/2030	2,336,299	171,844	2,508,143	1,254,072
7/1/2030	6/30/2031	2,336,299	176,999	2,513,298	1,256,649
7/1/2031	6/30/2032	2,336,299	182,309	2,518,608	1,259,304
7/1/2032	6/30/2033	2,336,299	187,778	2,524,077	1,262,039
7/1/2033	6/30/2034	2,336,299	193,411	2,529,710	1,264,855
7/1/2034	6/30/2035	2,336,299	199,214	2,535,513	1,267,757
7/1/2035	6/30/2036	2,336,299	205,190	2,541,489	1,270,745
7/1/2036	6/30/2037	2,336,299	211,346	2,547,645	1,273,823
7/1/2037	6/30/2038	2,336,299	217,686	2,553,985	1,276,993
7/1/2038	6/30/2039	1,094,691	224,217	1,318,908	659,454

Landlord *Frank P. Rose*
Tenant *J. Thomas Helter*

No. 1 of ² Three Original Counterparts
Counterpart of LANDLORD.

STATE OF GEORGIA;
COUNTY OF FULTON:

FIRST AMENDMENT TO RENTAL AGREEMENT

THIS FIRST AMENDMENT TO RENTAL AGREEMENT (this "Amendment") is made and entered into this ___ day of _____, 2010, by and between **USG Real Estate Foundation II, LLC**, a Georgia limited liability company whose address is 270 Washington Street, Atlanta, Georgia 30334, 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 Columbus State University, whose address is 270 Washington Street, S.W. sixth floor, Atlanta, Georgia 30334, party of the second part (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to that certain Rental Agreement, dated as of July 23, 2009 (the "Rental Agreement"), whereby Landlord has rented to Tenant those certain Premises (as defined in the Rental Agreement) described therein;

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 by Landlord and Tenant, the Rental Agreement is hereby amended, changed and modified as follows:

1. Exhibit "B" Special Stipulations is hereby amended by adding the following text to the end of section 4 thereof:

"(c) Landlord hereby agrees to perform administrative duties related to processing operations associated with the Premises and to establish and maintain an account to be used for the costs related to the administrative processing of operations associated with the Premises (the "Operation Processing Fund"). In order to fund the Operation Processing Fund Tenant shall pay to Landlord the amounts shown on Exhibit "E" of this Agreement for that purpose as additional rent payable as shown on Exhibit "E"."

2. The Exhibit "E" attached to the Rental Agreement is hereby deleted in its entirety and substituted in lieu thereof and replacing the original Exhibit "E" is the Exhibit "E" attached to this Amendment and made a part hereof.

3. All capitalized terms contained herein shall have the meanings ascribed to them in the Rental Agreement.

[Type text]

4. Except as provided herein, all of the terms, conditions, provisions, obligations and responsibilities of the parties in and to the Rental Agreement shall remain in full force and effect and are hereby ratified and confirmed by the parties hereto.

IN WITNESS WHEREOF, Landlord and Tenant, by and through their authorized representatives, have hereunto executed, signed and delivered this Amendment the day, month and year first written above.

LANDLORD:

USG Real Estate Foundation II, LLC, a Georgia limited liability company

By: **USGREF Manager, LLC**
a Georgia limited liability company, its Manager

By: Julie E. Hunt
Name:
Title:

Signed, sealed and delivered as to Landlord in the presence of:

(CORPORATE SEAL)

[Signature]
Unofficial Witness

[Signature]
Official Witness, Notary Public

My Commission Expires: 8-23-1

(Signatures continue on following page.)

Landlord [Signature] Tenant [Signature]

[Type text]

(Signatures continued from previous page.)

TENANT:

**BOARD OF REGENTS OF THE UNIVERSITY
SYSTEM OF GEORGIA**

By: *Wil M. Amels* L.S.
Vice Chancellor for Facilities

Attest: *[Signature]* L.S.
Associate Vice Chancellor

(Seal Affixed Here)

Signed, sealed and delivered as to
Tenant in the presence of:

[Signature]
Unofficial Witness

Mattie Dunham
Official Witness, Notary Public

My Commission Expires:



APPROVAL OF INSTITUTION:

By: *Timothy S. Meier*
President

Landlord *[Signature]* Tenant *[Signature]*

Exhibit "E"
Columbus State University
Recreation Center

Rental Agreement Commencement Date: 8/1/2010
Rental Agreement Termination Date: last option period ends 6/30/2039
Rental Payment to be Made Semi-Annual: December 1 and June 1

Fiscal Year Beginning	Fiscal Year End	Annual Base Rent	Annual Additional Rent Repair and Replacement	Annual Additional Rent Operating	Annual Total Rent	Semi-Annual Total Rent
7/1/2010	6/30/2011	978,263	98,000	6,176	1,082,439	541,220
7/1/2011	6/30/2012	2,336,299	100,940	24,700	2,461,939	1,230,970
7/1/2012	6/30/2013	2,336,299	103,968	24,700	2,464,967	1,232,484
7/1/2013	6/30/2014	2,336,299	107,087	24,700	2,468,086	1,234,043
7/1/2014	6/30/2015	2,336,299	110,300	24,700	2,471,299	1,235,650
7/1/2015	6/30/2016	2,336,299	113,609	24,700	2,474,608	1,237,304
7/1/2016	6/30/2017	2,336,299	117,017	24,700	2,478,016	1,239,008
7/1/2017	6/30/2018	2,336,299	120,528	24,700	2,481,527	1,240,764
7/1/2018	6/30/2019	2,336,299	124,143	24,700	2,485,142	1,242,571
7/1/2019	6/30/2020	2,336,299	127,868	24,700	2,488,867	1,244,434
7/1/2020	6/30/2021	2,336,299	131,704	24,700	2,492,703	1,246,352
7/1/2021	6/30/2022	2,336,299	135,655	24,700	2,496,654	1,248,327
7/1/2022	6/30/2023	2,336,299	139,725	24,700	2,500,724	1,250,362
7/1/2023	6/30/2024	2,336,299	143,916	24,700	2,504,915	1,252,458
7/1/2024	6/30/2025	2,336,299	148,234	24,700	2,509,233	1,254,617
7/1/2025	6/30/2026	2,336,299	152,681	24,700	2,513,680	1,256,840
7/1/2026	6/30/2027	2,336,299	157,261	24,700	2,518,260	1,259,130
7/1/2027	6/30/2028	2,336,299	161,979	24,700	2,522,978	1,261,489
7/1/2028	6/30/2029	2,336,299	166,838	24,700	2,527,837	1,263,919
7/1/2029	6/30/2030	2,336,299	171,844	24,700	2,532,843	1,266,422
7/1/2030	6/30/2031	2,336,299	176,999	24,700	2,537,998	1,268,999
7/1/2031	6/30/2032	2,336,299	182,309	24,700	2,543,308	1,271,654
7/1/2032	6/30/2033	2,336,299	187,778	24,700	2,548,777	1,274,389
7/1/2033	6/30/2034	2,336,299	193,411	24,700	2,554,410	1,277,205
7/1/2034	6/30/2035	2,336,299	199,214	24,700	2,560,213	1,280,107
7/1/2035	6/30/2036	2,336,299	205,190	24,700	2,566,189	1,283,095
7/1/2036	6/30/2037	2,336,299	211,346	24,700	2,572,345	1,286,173
7/1/2037	6/30/2038	2,336,299	217,686	24,700	2,578,685	1,289,343
7/1/2038	6/30/2039	1,094,691	224,217	24,700	1,343,608	671,804

Landlord _____

John E. Hunt

Tenant _____

[Signature]

**STATE OF GEORGIA;
MUSCOGEE COUNTY:**

SECOND AMENDMENT TO RENTAL AGREEMENT
(CSU Student Recreational Center)

THIS SECOND AMENDMENT TO RENTAL AGREEMENT (this "Amendment") is made and entered into this 27th day of March, 2019, (the "Effective Date") by and between **USG REAL ESTATE FOUNDATION II, LLC**, a Georgia limited liability company whose address is 270 Washington Street, SW, Suite 7002, Atlanta, Georgia 30334, party of the first part (hereinafter referred to as "Landlord"), and the **BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA**, whose address is 270 Washington Street, SW, Sixth Floor, Atlanta, Georgia 30334, Attention: Vice Chancellor for Facilities, party of the second part (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to that certain Rental Agreement, dated July 23, 2009, and first amended in 2010 (collectively the "Rental Agreement"), whereby Landlord rents to Tenant the Premises (as defined in the Rental Agreement) described therein and known as the Student Recreational Center on the campus of Columbus State University;

WHEREAS, Landlord and Tenant now desire to amend certain provisions of the Rental Agreement as provided for 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. Notices. Section 26 of Exhibit "A" Stipulations, Provisions, Covenants, Agreements, Terms and Conditions of Rental Agreement is hereby deleted in its entirety and replaced with the following:

"26.
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 II, LLC
c/o University System of Georgia Foundation, Inc.
270 Washington Street, SW
Suite 7005
Atlanta, Georgia 30334
Attention: Vice Chancellor for Development
Email: karen.mccauley@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:

Columbus State University
4225 University Avenue
Columbus, Georgia 31907
Attention: Vice President for Business and Finance
E-mail: helton_tom@columbusstate.edu

2. Maintenance and Repairs. Section 4 of Exhibit "B" Special Stipulations 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 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, 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.

Tenant, through its applicable institution, shall complete a Facilities Condition Assessment Report ("FCAR") on the physical and mechanical condition of the Premises every five (5) years; provided, however, that the due date for the first FCAR shall be as set forth on Exhibit "F" to this Agreement. Each FCAR shall be delivered by Tenant, through its applicable institution, to the System Office (as defined below) on the dates (assuming Tenant exercises each of the applicable renewal terms) as indicated on Exhibit "F" of this Agreement.

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 and Replacement Reserve 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."

3. Repair and Replacement Reserve. The Rental Agreement is hereby amended by replacing the reference to "Landlord's Repair, Replacement and Maintenance Fund" in every instance in which it appears in the Rental Agreement with "Landlord's Repair and Replacement Reserve".

4. Rent Schedule. Exhibit “E” to the Rental Agreement is hereby deleted in its entirety and the attached Exhibit “E” is substituted in its place.

5. Insurance. Subsection (b) of Section “3. LANDLORD’S INSURANCE” of Exhibit “A” to the Rental Agreement is hereby deleted in its entirety and the following substituted in its place:

“(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 V 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 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 Landlord and Tenant. Such notice shall be valid only as to the Premises and the address of the Premises shall be included in said notice.

(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 Georgia law requires that the Attorney General of the State shall represent and defend the Indemnitees, but the Attorney General will, without limiting the authority of the Attorney General, consider attorneys recommended by the insurance company for appointment as Special Assistant Attorneys General to represent and defend the Indemnitees. The insurance company shall 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.

(iv) Self-insured retention, except for qualified self-insurers or group self-insurers, in the “All Risk” policy shall not exceed \$10,000 except that deductibles for Catastrophic Perils shall not exceed \$50,000.00.”

6. Compliance with Laws, Ordinances and Regulations. Subsection (a) of Section “21. COMPLIANCE WITH LAWS ORDINANCES AND REGULATIONS” of Exhibit “A” to the Rental Agreement is hereby deleted in its entirety and the following substituted in its place:

“(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, ordinances relating to

security standards enacted pursuant to O.C.G.A. § 44-7-4(a), and the holding of a current and proper certificate of occupancy.”

7. FCAR Due Dates. The Rental Agreement is hereby amended by adding Exhibit "F" attached hereto as Exhibit "F" to the Rental Agreement.

8. 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 PAGES)

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.

Signed, sealed and delivered as
to Landlord, in the presence of:

LANDLORD:

Unofficial Witness

**USG REAL ESTATE FOUNDATION II,
LLC**, a Georgia limited liability company

Notary Public

By: **USGREF Manager, LLC**,
a Georgia limited liability company,
its Manager

(NOTARY SEAL)

By: _____ L.S.
Vice President

Attest:

Secretary

(SIGNATURES CONTINUE ON NEXT PAGE)

TENANT:

**BOARD OF REGENTS OF THE UNIVERSITY
SYSTEM OF GEORGIA**

Signed, sealed and delivered as
to Tenant, in the presence of:

Unofficial Witness

Notary Public

By: _____
Vice Chancellor for Facilities

Attest: _____
Associate Vice Chancellor for Facilities

(NOTARY SEAL)

(SEAL)

[CSU Rental Agreement Amendment]

Exhibit "E"

Rent Schedule

(Attached)

Exhibit "F"
(CSU Student Recreational Center)

FCAR DUE DATE
November 31, 2021
November 31, 2026
November 31, 2031
November 31, 2036

Counterpart No. 1 of Two Original Executed
Counterparts.
Counterpart of the Landlord

STATE OF GEORGIA;
COUNTY OF FULTON:

SOUTHERN POLYTECHNIC STATE UNIVERSITY
STUDENT HOUSING RENTAL AGREEMENT

THIS RENTAL AGREEMENT (hereinafter "Agreement"), made and entered into this 23rd day of July, 2009, by and between **USG REAL ESTATE FOUNDATION II, LLC**, whose address is 270 Washington Street, Atlanta, Georgia 30334 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 Southern Polytechnic State University, 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 Cobb County, Georgia, and more particularly described in Exhibit "C", which is attached hereto and incorporated herein by this reference, including student housing facilities containing approximately 722 student housing beds, an approximately 16,973 square foot dining hall, and site amenities, 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 August 1, 2010 ("hereinafter referred to as the "Commencement Date"), and ending at 11:59 o'clock P.M. on June 30, 2011 (hereinafter referred to as the "Expiration Date"), unless terminated earlier as hereinafter provided (hereinafter referred to as the "Initial Term").

ROY
Landlord
MM
Tenant



**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 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, 2039, 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 Southern Polytechnic State University, 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.

(SIGNATURES BEGIN ON NEXT PAGE)


Landlord

Tenant

USG REAL ESTATE FOUNDATION II, LLC, a Georgia limited liability company

By: USGREF Manager, LLC, a Georgia limited liability company, Its Manager

By: Frank P. Ros L.S.
Authorized Representative

Signed As to Landlord,
in the presence of:

Mary Margaret Kurno
Unofficial Witness

Lisa W. Spawnaaker

(SEAL)



BOARD OF REGENTS OF THE
UNIVERSITY SYSTEM OF GEORGIA

By: L. M. Daniels
Vice Chancellor for Facilities

Attest: [Signature]
Assistant Vice Chancellor for Facilities

SIGNED as to Board Of Regents of
the University System of Georgia
in the presence of:

(SEAL)

[Signature]
Unofficial Witness

[Signature]
Notary Public



Approval of Institution

By: Lisa A. Rossbach
President

[Signature]
Landlord
[Signature]
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 Tenant's 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.

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.

(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.

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



Landlord


Tenant

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 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 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.


Landlord

Tenant

(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



Landlord


Tenant

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.

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"


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.

(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, 2016, 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 Southern Polytechnic University 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.

7. Notice of Environmental Matters. Tenant agrees to promptly provide to Landlord any notices or other documents it receives from the Georgia Environmental Protection Division, the United States Government or any agency or authority thereof (including, without limitation, the Department of Defense, the Air Force, or the Environmental Protection Agency) regarding any environmental matter with respect to the Premises.

END OF EXHIBIT "B"


Landlord

Tenant

Exhibit "C"
Cobb County – Southern Polytechnic State University

Ground Lease
Student Housing and Dining Site

All that tract or parcel of land lying and being in Land Lots 435 and 502, 17th District, City of Marietta, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to Land Lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to Land Lots 435 and 502, North 00 degrees 50 minutes 40 seconds East a distance of 797.97 feet to a point; Thence leaving said Land Lot Line North 55 degrees 53 minutes 47 seconds West a distance of 44.39 feet to a point; Thence North 88 degrees 28 minutes 20 seconds West a distance of 210.52 feet to a point; Thence South 28 degrees 50 minutes 38 seconds West a distance of 49.66 feet to a point; Thence North 61 degrees 09 minutes 22 seconds West a distance of 108.57 feet to a point; Thence North 72 degrees 55 minutes 42 seconds East a distance of 151.54 feet to a point; Thence North 01 degrees 22 minutes 34 seconds East a distance of 381.39 feet to a point; Thence South 87 degrees 17 minutes 04 seconds East a distance of 77.53 feet to a point, said point being the **TRUE POINT OF BEGINNING**. Thence South 87 degrees 17 minutes 04 seconds East a distance of 111.34 feet to a 5/8" rebar set; Thence South 41 degrees 07 minutes 38 seconds East a distance of 29.75 feet to a 5/8" rebar set; Thence South 87 degrees 17 minutes 04 seconds East a distance of 38.16 feet to a 5/8" rebar set; Thence North 02 degrees 42 minutes 56 seconds East a distance of 11.17 feet to a 5/8" rebar set; Thence South 88 degrees 17 minutes 47 seconds East a distance of 71.95 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 142.11 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 100.06 feet to a 5/8" rebar set; Thence South 88 degrees 22 minutes 26 seconds East a distance of 63.04 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 40.72 feet to a 5/8" rebar set; Thence South 88 degrees 27 minutes 50 seconds East a distance of 104.83 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 77.39 feet to a 5/8" rebar set; Thence South 88 degrees 27 minutes 50 seconds East a distance of 176.00 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 88.67 feet to a 5/8" rebar set; Thence North 88 degrees 27 minutes 50 seconds West a distance of 252.75 feet to a 5/8" rebar set; Thence North 01 degrees 32 minutes 10 seconds East a distance of 131.22 feet to a 5/8" rebar set; Thence North 88 degrees 52 minutes 27 seconds West a distance of 207.37 feet to a 5/8" rebar set; Thence North 01 degrees 32 minutes 10 seconds East a distance of 205.49 feet to a 5/8" rebar set; Thence North 88 degrees 27 minutes 50 seconds West a distance of 125.50 feet to a 5/8" rebar set; Thence North 01 degrees 30 minutes 36 seconds East a distance of 127.81 feet to a 5/8" rebar set; Said point being the **TRUE POINT OF BEGINNING**.

Said tract of land contains 1.986 acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No.: 3042, dated February 16, 2009 and last revised on July 21, 2009.

Ground Lease Site
Special Interest Housing

All that tract or parcel of land lying and being in Land Lot 435, 17th District, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to Land Lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to Land Lots 436 and 501, South 00 degrees 50 minutes 40 seconds West a distance of 879.69 feet to a point; Thence South 61 degrees 06 minutes 40 seconds West a distance of 227.33 feet to a point located on the northeastern right-of-way of South Cobb Drive; Thence along said right-of-way along a curve to the left with an arc length of 1342.57 feet, said curve having a radius of 2945.39 feet, with a chord distance of 1330.98 feet, at North 41 degrees 58 minutes 48 seconds West, to a point located at the intersection of said right-of-way with




Landlord

Tenant

Exhibit "C"
Cobb County – Southern Polytechnic State University

the Land Lot Line common to Land Lots 435 and 436; Thence leaving said right-of-way South 87 degrees 24 minutes 24 seconds East a distance of 53.24 feet to a point; Thence North 02 degrees 39 minutes 44 seconds East a distance of 39.08 feet to a point; Thence North 19 degrees 16 minutes 43 seconds East a distance of 74.70 feet to a point; Thence North 01 degrees 36 minutes 30 seconds West a distance of 37.63 feet to a point; Thence North 71 degrees 28 minutes 56 seconds East a distance of 41.42 feet to a point; Thence North 22 degrees 23 minutes 50 seconds West a distance of 337.93 feet to a point; Thence North 67 degrees 38 minutes 09 seconds East a distance of 26.31 feet to a 5/8" rebar set; Said 5/8" rebar set being the **TRUE POINT OF BEGINNING**. Thence North 67 degrees 38 minutes 09 seconds East a distance of 86.70 feet to a 5/8" rebar set; Thence along a curve to the left with an arc length of 295.17 feet, said curve having a radius of 312.74 feet, with a chord distance of 284.33 feet, at North 41 degrees 40 minutes 49 seconds East, to a 5/8" rebar set; Thence South 74 degrees 15 minutes 31 seconds East a distance of 63.94 feet to a 5/8" rebar set; Thence South 55 degrees 51 minutes 05 seconds East a distance of 127.28 feet to a 5/8" rebar set; Thence South 21 degrees 59 minutes 37 seconds East a distance of 314.25 feet to a 5/8" rebar set; Thence South 20 degrees 52 minutes 05 seconds West a distance of 40.27 feet to a 5/8" rebar set; Thence South 68 degrees 00 minutes 23 seconds West a distance of 140.93 feet to a 5/8" rebar set; Thence North 74 degrees 13 minutes 52 seconds West a distance of 215.12 feet to a 5/8" rebar set; Thence South 67 degrees 46 minutes 17 seconds West a distance of 123.81 feet to a 5/8" rebar set; Thence North 22 degrees 11 minutes 53 seconds West a distance of 230.71 feet to a 5/8" rebar set; Said 5/8" rebar set being the **TRUE POINT OF BEGINNING**.

Said tract of land contains 3.605 acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No. 3042, dated February 16, 2009 and last revised on July 21, 2009.

Ground Lease Site II
Special Interest Housing

All that tract or parcel of land lying and being in Land Lot 435, 17th District, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to Land Lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to Land Lots 436 and 501, South 00 degrees 50 minutes 40 seconds West a distance of 879.69 feet to a point; Thence South 61 degrees 06 minutes 40 seconds West a distance of 227.33 feet to a point located on the northeastern right-of-way of South Cobb Drive; Thence along said right-of-way along a curve to the left with an arc length of 1342.57 feet, said curve having a radius of 2945.39 feet, with a chord distance of 1330.98 feet, at North 41 degrees 58 minutes 48 seconds West, to a point located at the intersection of said right-of-way with the Land Lot Line common to Land Lots 435 and 436; Thence leaving said right-of-way South 87 degrees 24 minutes 24 seconds East a distance of 53.24 feet to a point; Thence North 42 degrees 36 minutes 03 seconds East a distance of 35.61 feet to a 5/8" rebar set; Said 5/8" rebar set being the **TRUE POINT OF BEGINNING**. Thence North 07 degrees 55 minutes 05 seconds East a distance of 73.91 feet to a 5/8" rebar set; Thence South 82 degrees 04 minutes 55 seconds East a distance of 80.35 feet to a 5/8" rebar set; Thence South 07 degrees 55 minutes 05 seconds West a distance of 73.91 feet to a 5/8" rebar set; Thence North 82 degrees 04 minutes 55 seconds West a distance of 80.35 feet to a 5/8" rebar set; Said 5/8" rebar set being the **TRUE POINT OF BEGINNING**.

Said tract of land contains 0.136 acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No. 3042, dated February 16, 2009 and last revised on July 21, 2009.

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."

(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:



Landlord


Tenant

"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"


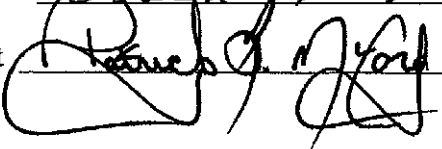

Landlord

Tenant

Exhibit "E"
Southern Polytechnic State University
Student Housing and Dining Hall

Rental Agreement Commencement Date: 8/1/2010
 Rental Agreement Termination Date: last option period ends 6/30/2039
 Rental Payment to be Made Semi-Annual: December 1 and June 1

Fiscal Year Beginning	Fiscal Year End	Annual Base Rent	Annual Additional Rent	Annual Total Rent	Semi-Annual Total Rent
7/1/2010	6/30/2011	1,588,834	141,734	1,730,568	865,284
7/1/2011	6/30/2012	3,006,586	145,986	3,152,572	1,576,286
7/1/2012	6/30/2013	3,021,036	150,366	3,171,402	1,585,701
7/1/2013	6/30/2014	3,029,436	154,877	3,184,313	1,592,157
7/1/2014	6/30/2015	3,039,436	159,523	3,198,959	1,599,480
7/1/2015	6/30/2016	3,052,836	164,309	3,217,145	1,608,573
7/1/2016	6/30/2017	3,064,436	169,238	3,233,674	1,616,837
7/1/2017	6/30/2018	3,074,236	174,315	3,248,551	1,624,276
7/1/2018	6/30/2019	3,084,923	179,544	3,264,467	1,632,234
7/1/2019	6/30/2020	3,096,173	184,931	3,281,104	1,640,552
7/1/2020	6/30/2021	3,104,423	190,479	3,294,902	1,647,451
7/1/2021	6/30/2022	3,119,673	196,193	3,315,866	1,657,933
7/1/2022	6/30/2023	3,131,423	202,079	3,333,502	1,666,751
7/1/2023	6/30/2024	3,139,673	208,141	3,347,814	1,673,907
7/1/2024	6/30/2025	3,152,792	214,385	3,367,177	1,683,589
7/1/2025	6/30/2026	3,163,348	220,817	3,384,165	1,692,083
7/1/2026	6/30/2027	3,174,336	227,441	3,401,777	1,700,889
7/1/2027	6/30/2028	3,185,486	234,265	3,419,751	1,709,876
7/1/2028	6/30/2029	3,196,529	241,293	3,437,822	1,718,911
7/1/2029	6/30/2030	3,207,198	248,531	3,455,729	1,727,865
7/1/2030	6/30/2031	3,219,898	255,987	3,475,885	1,737,943
7/1/2031	6/30/2032	3,231,273	263,667	3,494,940	1,747,470
7/1/2032	6/30/2033	3,246,048	271,577	3,517,625	1,758,813
7/1/2033	6/30/2034	3,253,673	279,724	3,533,397	1,766,699
7/1/2034	6/30/2035	3,269,148	288,116	3,557,264	1,778,632
7/1/2035	6/30/2036	3,276,648	296,760	3,573,408	1,786,704
7/1/2036	6/30/2037	3,291,173	305,662	3,596,835	1,798,418
7/1/2037	6/30/2038	3,301,898	314,832	3,616,730	1,808,365
7/1/2038	6/30/2039	1,666,470	324,277	1,990,747	995,374

Landlord 
 Tenant 

No. 2 of Three Original Counterparts
Counterpart of LANDLORD.

STATE OF GEORGIA;
COUNTY OF FULTON:

FIRST AMENDMENT TO RENTAL AGREEMENT

THIS FIRST AMENDMENT TO RENTAL AGREEMENT (this "Amendment") is made and entered into this __ day of _____, 2010, by and between **USG Real Estate Foundation II, LLC**, a Georgia limited liability company whose address is 270 Washington Street, Atlanta, Georgia 30334, 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 Southern Polytechnic State University, whose address is 270 Washington Street, S.W. sixth floor, Atlanta, Georgia 30334, party of the second part (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to that certain Rental Agreement, dated as of July 23, 2009 (the "Rental Agreement"), whereby Landlord has rented to Tenant those certain Premises (as defined in the Rental Agreement) described therein;

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 by Landlord and Tenant, the Rental Agreement is hereby amended, changed and modified as follows:

1. Exhibit "B" Special Stipulations is hereby amended by adding the following text to the end of section 4 thereof:

"(c) Landlord hereby agrees to perform administrative duties related to processing operations associated with the Premises and to establish and maintain an account to be used for the costs related to the administrative processing of operations associated with the Premises (the "Operation Processing Fund"). In order to fund the Operation Processing Fund Tenant shall pay to Landlord the amounts shown on Exhibit "E" of this Agreement for that purpose as additional rent payable as shown on Exhibit "E"."

2. The Exhibit "E" attached to the Rental Agreement is hereby deleted in its entirety and substituted in lieu thereof and replacing the original Exhibit "E" is the Exhibit "E" attached to this Amendment and made a part hereof.

3. All capitalized terms contained herein shall have the meanings ascribed to them in the Rental Agreement.

4. Except as provided herein, all of the terms, conditions, provisions, obligations and responsibilities of the parties in and to the Rental Agreement shall remain in full force and effect and are hereby ratified and confirmed by the parties hereto.

IN WITNESS WHEREOF, Landlord and Tenant, by and through their authorized representatives, have hereunto executed, signed and delivered this Amendment the day, month and year first written above.

LANDLORD:

USG Real Estate Foundation II, LLC, a Georgia limited liability company

By: **USGREF Manager, LLC**
a Georgia limited liability company, its Manager

By: *[Signature]*
Name:
Title:

Signed, sealed and delivered as to
Landlord in the presence of:

(CORPORATE SEAL)

[Signature]
Unofficial Witness
Mattie Dunham
Official Witness, Notary Public



My Commission Expires:

(Signatures continue on following page.)

Landlord *[Signature]* Tenant *[Signature]*

(Signatures continued from previous page.)

TENANT:

**BOARD OF REGENTS OF THE UNIVERSITY
SYSTEM OF GEORGIA**

By: *W. M. Daniel* L.S.
Vice Chancellor for Facilities

Attest: *[Signature]* L.S.
Associate Vice Chancellor

(Seal Affixed Here)

Signed, sealed and delivered as to
Tenant in the presence of:

[Signature]
Unofficial Witness
Mattie Dunham
Official Witness, Notary Public

My Commission Expires:



APPROVAL OF INSTITUTION:

By: *Lise A. Rossbacher*
President

Exhibit "E"
Southern Polytechnic State University
Student Housing and Dining Hall

Rental Agreement Commencement Date: 8/1/2010
Rental Agreement Termination Date: last option period ends 6/30/2039
Rental Payment to be Made Semi-Annual: December 1 and June 1

Fiscal Year Beginning	Fiscal Year End	Annual Base Rent	Annual Additional Rent Repair and Replacement	Annual Additional Rent Operating	Annual Total Rent	Semi-Annual Total Rent
7/1/2010	6/30/2011	1,588,834	141,734	8,236	1,738,804	869,402
7/1/2011	6/30/2012	3,006,586	145,986	32,942	3,185,514	1,592,757
7/1/2012	6/30/2013	3,021,036	150,366	32,942	3,204,344	1,602,172
7/1/2013	6/30/2014	3,029,436	154,877	32,942	3,217,255	1,608,628
7/1/2014	6/30/2015	3,039,436	159,523	32,942	3,231,901	1,615,951
7/1/2015	6/30/2016	3,052,836	164,309	32,942	3,250,087	1,625,044
7/1/2016	6/30/2017	3,064,436	169,238	32,942	3,266,616	1,633,308
7/1/2017	6/30/2018	3,074,236	174,315	32,942	3,281,493	1,640,747
7/1/2018	6/30/2019	3,084,923	179,544	32,942	3,297,409	1,648,705
7/1/2019	6/30/2020	3,096,173	184,931	32,942	3,314,046	1,657,023
7/1/2020	6/30/2021	3,104,423	190,479	32,942	3,327,844	1,663,922
7/1/2021	6/30/2022	3,119,673	196,193	32,942	3,348,808	1,674,404
7/1/2022	6/30/2023	3,131,423	202,079	32,942	3,366,444	1,683,222
7/1/2023	6/30/2024	3,139,673	208,141	32,942	3,380,756	1,690,378
7/1/2024	6/30/2025	3,152,792	214,385	32,942	3,400,119	1,700,060
7/1/2025	6/30/2026	3,163,348	220,817	32,942	3,417,107	1,708,554
7/1/2026	6/30/2027	3,174,336	227,441	32,942	3,434,719	1,717,360
7/1/2027	6/30/2028	3,185,486	234,265	32,942	3,452,693	1,726,347
7/1/2028	6/30/2029	3,196,529	241,293	32,942	3,470,764	1,735,382
7/1/2029	6/30/2030	3,207,198	248,531	32,942	3,488,671	1,744,336
7/1/2030	6/30/2031	3,219,898	255,987	32,942	3,508,827	1,754,414
7/1/2031	6/30/2032	3,231,273	263,667	32,942	3,527,882	1,763,941
7/1/2032	6/30/2033	3,246,048	271,577	32,942	3,550,567	1,775,284
7/1/2033	6/30/2034	3,253,673	279,724	32,942	3,566,339	1,783,170
7/1/2034	6/30/2035	3,269,148	288,116	32,942	3,590,206	1,795,103
7/1/2035	6/30/2036	3,276,648	296,760	32,942	3,606,350	1,803,175
7/1/2036	6/30/2037	3,291,173	305,662	32,942	3,629,777	1,814,889
7/1/2037	6/30/2038	3,301,898	314,832	32,942	3,649,672	1,824,836
7/1/2038	6/30/2039	1,666,470	324,277	32,942	2,023,689	1,011,845

Landlord _____
Tenant _____

**STATE OF GEORGIA;
COBB COUNTY:**

SECOND AMENDMENT TO RENTAL AGREEMENT
(KSU Marietta Campus-Student Housing, Dining Hall & Special Interest Housing)

THIS SECOND AMENDMENT TO RENTAL AGREEMENT (this "Amendment") is made and entered into this 27th day of March, 2019, (the "Effective Date") by and between **USG REAL ESTATE FOUNDATION II, LLC**, a Georgia limited liability company whose address is 270 Washington Street, SW, Suite 7002, Atlanta, Georgia 30334, party of the first part (hereinafter referred to as "Landlord"), and the **BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA**, whose address is 270 Washington Street, SW, Sixth Floor, Atlanta, Georgia 30334, Attention: Vice Chancellor for Facilities, party of the second part (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to that certain Rental Agreement, dated July 23, 2009, and first amended in 2010 (collectively the "Rental Agreement"), whereby Landlord rents to Tenant the Premises (as defined in the Rental Agreement) described therein and known respectively as Student Housing, Dining Hall and Special Interest Housing on the Marietta campus of Kennesaw State University;

WHEREAS, Landlord and Tenant now desire to amend certain provisions of the Rental Agreement as provided for 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. Notices. Section 26 of Exhibit "A" Stipulations, Provisions, Covenants, Agreements, Terms and Conditions of Rental Agreement is hereby deleted in its entirety and replaced with the following:

"26.
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 II, LLC
c/o University System of Georgia Foundation, Inc.
270 Washington Street, SW
Suite 7005
Atlanta, Georgia 30334
Attention: Vice Chancellor for Development
Email: karen.mccauley@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:

Kennesaw State University
1000 Chastain Road
Kennesaw, Georgia 30144
Attention: Vice President for Business and Finance
E-mail: jpeterso@kennesaw.edu

2. Maintenance and Repairs. Section 4 of Exhibit "B" Special Stipulations 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 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, 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.

Tenant, through its applicable institution, shall complete a Facilities Condition Assessment Report ("FCAR") on the physical and mechanical condition of the Premises every two and a half (2.5) years; provided, however that the first FCAR due date shall be as set forth on Exhibit "F" to this Agreement. Each FCAR shall be delivered by Tenant, through its applicable institution, to the System Office (as defined below) on the dates (assuming Tenant exercises each of the applicable renewal terms) as indicated on Exhibit "F" of this Agreement.

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 and Replacement Reserve 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."

3. Repair and Replacement Reserve. The Rental Agreement is hereby amended by replacing the reference to "Landlord's Repair, Replacement and Maintenance Fund" in every

instance in which it appears in the Rental Agreement with "Landlord's Repair and Replacement Reserve".

4. Rent Schedule. Exhibit "E" to the Rental Agreement is hereby deleted in its entirety and the attached Exhibit "E" is substituted in its place.

5. Insurance. Subsection (b) of Section "3. LANDLORD'S INSURANCE" of Exhibit "A" to the Rental Agreement is hereby deleted in its entirety and the following substituted in its place:

"(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 V 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 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 Landlord and Tenant. Such notice shall be valid only as to the Premises and the address of the Premises shall be included in said notice.

(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 Georgia law requires that the Attorney General of the State shall represent and defend the Indemnitees, but the Attorney General will, without limiting the authority of the Attorney General, consider attorneys recommended by the insurance company for appointment as Special Assistant Attorneys General to represent and defend the Indemnitees. The insurance company shall 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.

(iv) Self-insured retention, except for qualified self-insurers or group self-insurers, in the "All Risk" policy shall not exceed \$10,000 except that deductibles for Catastrophic Perils shall not exceed \$50,000.00."

6. Compliance with Laws, Ordinances and Regulations. Subsection (a) of Section "21. COMPLIANCE WITH LAWS ORDINANCES AND REGULATIONS" of Exhibit "A" to the Rental Agreement is hereby deleted in its entirety and the following substituted in its place:

“(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, ordinances relating to security standards enacted pursuant to O.C.G.A. § 44-7-4(a), and the holding of a current and proper certificate of occupancy.”

7. FCAR Due Dates. The Rental Agreement is hereby amended by adding Exhibit "F" attached hereto as Exhibit "F" to the Rental Agreement.

8. 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 PAGES)

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.

Signed, sealed and delivered as
to Landlord, in the presence of:

LANDLORD:

Unofficial Witness

**USG REAL ESTATE FOUNDATION II,
LLC**, a Georgia limited liability company

Notary Public

By: **USGREF Manager, LLC**,
a Georgia limited liability company,
its Manager

(NOTARY SEAL)

By: _____ L.S.
Vice President

Attest:

Secretary

(SIGNATURES CONTINUE ON NEXT PAGE)

TENANT:

**BOARD OF REGENTS OF THE UNIVERSITY
SYSTEM OF GEORGIA**

Signed, sealed and delivered as
to Tenant, in the presence of:

Unofficial Witness

Notary Public

By: _____
Vice Chancellor for Facilities

Attest: _____
Associate Vice Chancellor for Facilities

(NOTARY SEAL)

(SEAL)

Exhibit "E"

Rent Schedule

(Attached)

Exhibit "F"
(KSU Marietta Campus-Student Housing, Dining Hall & Special Interest Housing)

FCAR DUE DATE
May 1, 2021
November 1, 2023
May 1, 2026
November 1, 2028
May 1, 2031
November 1, 2033
May 1, 2036
November 1, 2038

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APPENDIX F
COPY OF GROUND LEASES

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CFN: 2009026514
FILED IN OFFICE
07/27/2009 01:05PM
DEED Bk: 09771 Pgs: 185-221
M. Linda Pierce
CLERK OF SUPERIOR COURT
MUSCOGEE COUNTY

PLEASE RECORD AND RETURN TO:

DEBORAH M. BRANDON
FIRST AMERICAN TITLE INSURANCE COMPANY
NATIONAL COMMERCIAL SERVICES
5607 GLENRIDGE DRIVE, SUITE 275
ATLANTA, GEORGIA 30342
FILE NO.: NCS 393743

COLUMBUS STATE UNIVERSITY STUDENT RECREATION CENTER
GROUND LEASE

BY AND BETWEEN

THE BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA

AND

USG REAL ESTATE FOUNDATION II, LLC

DATED AS OF JULY 23, 2009

No. 2 of 2 Executed Original Counterparts.

COUNTERPART OF LESSOR

STATE OF GEORGIA;
COUNTY OF FULTON:

**COLUMBUS STATE UNIVERSITY STUDENT RECREATION CENTER
GROUND LEASE**

THIS GROUND LEASE (hereinafter referred to as the "Ground Lease" or "Lease") is made and entered this 23rd day of July, 2009, 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 II, LLC whose address for purposes of this Lease is 270 Washington Street, S.W. Atlanta, Georgia 30334, hereinafter referred to as "Lessee"), for the use of certain real property located on the campus of Columbus State University, a unit of the University System of Georgia (hereinafter referred to as "Institution").

WITNESSETH THAT:

WHEREAS, Lessor is the owner of certain real property consisting of approximately 1.745 acres situated in the City of Columbus, Muscogee 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 June 10, 2009 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, equipping and maintaining an approximately 102,850 square foot student recreation center and site amenities; 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, equipping and maintaining an approximately 102,850 square foot student recreation center and site amenities or 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.

mm
Lessor
LN
Lessee

1.

USE OF PROPERTY

1.1 The Premises shall be used by Lessee for the purpose of constructing, owning, operating, equipping and maintaining an approximately 102,850 square foot student recreation center and site amenities (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 constructing, 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.

mn
Lessor
Rn
Lessee

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 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 August 1, 2010, and ending at 11:59 o'clock P.M. prevailing legal time in Atlanta, Georgia, on June 30, 2039, 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.

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

MN
Lessor
RN
Lessee

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.

Lessor

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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 an approximately 102,850 square foot student recreation center and site amenities. 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 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.

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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 lender'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.

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



Lessor


Lessee

(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:

- (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).


 Lessor

 Lessee

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").

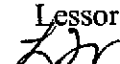
(c) Each insurer is hereby notified of the statutory requirements that the Attorney General of the State shall represent and defend the Indemnitees but will, without limiting the authority of the Attorney General, consider attorneys recommended by the insurance company for appointment as Special Assistant 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:



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“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:

<i>Coverage</i>	<i>Limit</i>
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 *
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.


 Lessor

 Lessee

(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.



Lessor


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(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 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.



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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 untenable 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.

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.



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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 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



Lessor


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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.

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

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Lessor


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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.

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.



Lessor


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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 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


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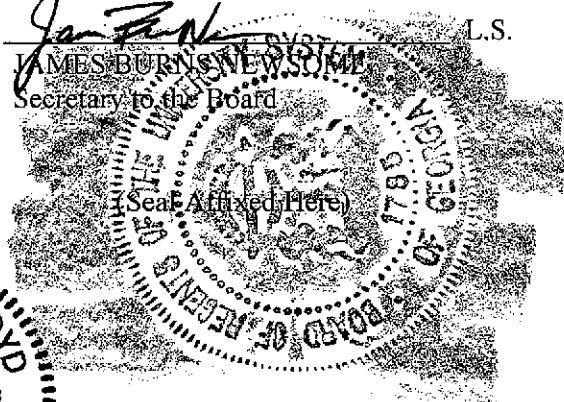
IN WITNESS WHEREOF, Lessor, acting pursuant to and in conformity with a properly considered and adopted Resolution and acting by and through its duly authorized hereinafter named representatives, and Lessee, acting pursuant to and in conformity with a properly considered and adopted Resolution and acting 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: Linda M. Daniels L.S.
LINDA M. DANIELS
Vice Chancellor

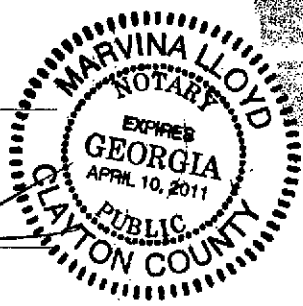
Attest: James Burns Newsome L.S.
JAMES BURNS NEWSOME
Secretary to the Board



Signed, sealed and delivered as to Lessor in the presence of:

[Signature]
Unofficial Witness

[Signature]
Official Witness, Notary Public



My Commission Expires: April 10, 2011

APPROVAL OF INSTITUTION:

By: [Signature]
President

[SIGNATURES CONTINUED NEXT PAGE]

[Signature]
Lessor
[Signature]
Lessee

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

APPROVED:

By: Sonny Perdue
SONNY PERDUE
Governor

Attest: Karen C. Handel
KAREN C. HANDEL
Secretary of State

(Great Seal of the State of Georgia)

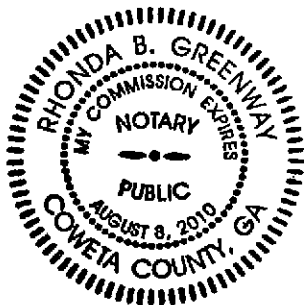


Signed, sealed and delivered as to
Governor in the presence of:

Mattie Dunham
Unofficial Witness

Brenda B. Sherry
Official Witness, Notary Public

My Commission Expires: Aug 8, 2010



[SIGNATURES CONTINUED NEXT PAGE]

mal
Lessor
LN
Lessee

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

LESSEE:

**USG REAL ESTATE FOUNDATION II,
LLC, a Georgia limited liability company**

By: USGREF Manager, LLC, a Georgia
limited liability company, its
Manager

By: *[Signature]* L.S.
Authorized Representative

Signed, sealed and delivered as to
Lessee in the presence of:

Mary Margaret Kuni
Unofficial Witness

Lisa W. Wannamaker
Official Witness, Notary Public

My Commission Expires _____



[Signature]
Lessor
[Signature]
Lessee

Exhibit "A"
Muscogee County – Columbus State University

Leasehold Parcel 1 - Ground Lease Limits

All that tract or parcel of land lying and being in Land Lot 33, 8th District Columbus, Muscogee County, Georgia being more particularly described as follows:

Commence at a concrete monument located at the intersection of the southeasterly right-of-way of Gentian Boulevard (right-of-way varies) and the southerly right-of-way of University Avenue; thence South 03 degrees 40 minutes 50 seconds West, 679.58 feet to a rebar and cap and the **POINT OF BEGINNING**; thence South 89 degrees 30 minutes 34 seconds East, 16.23 feet to a rebar and cap; thence along the arc of a clockwise curve (said arc having a radius of 234.38 feet and being subtended by a 144.30 foot chord bearing North 67 degrees 26 minutes 07 seconds East), 146.88 feet to a pk nail; thence North 00 degrees 29 minutes 26 seconds East, 10.82 feet to a pk nail; thence South 89 degrees 30 minutes 34 seconds East, 13.33 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 2.0 feet to a pk nail; thence South 89 degrees 30 minutes 34 seconds East, 128.83 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 66.67 feet to a pk nail; thence South 89 degrees 30 minutes 34 seconds East, 39.17 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 111.08 feet to a pk nail; thence South 89 degrees 30 minutes 34 seconds East, 24.33 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 13.33 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 13.03 feet to a pk nail; thence along the arc of a clockwise curve (said arc having a radius of 203.03 feet and being subtended by a 192.72 foot chord bearing South 55 degrees 32 minutes 35 seconds West), 200.81 feet to a pk nail; thence South 00 degrees 29 minutes 26 seconds West, 11.02 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 31.33 feet to a pk nail; thence North 00 degrees 29 minutes 26 seconds East, 35.67 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 107.33 feet to a pk nail; thence North 00 degrees 29 minutes 26 seconds East, 189.0 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 20.33 feet to a pk nail; thence North 00 degrees 29 minutes 26 seconds East, 9.17 feet to a pk nail; thence North 89 degrees 30 minutes 34 seconds West, 24.67 feet to a rebar and cap; thence North 00 degrees 29 minutes 26 seconds East, 13.33 feet to a rebar and cap and the **POINT OF BEGINNING**.

Containing 1.745 acres as shown on that certain ALTA/ACSM Survey dated May 15, 2009 and last revised on July 6, 2009, prepared by Moon, Meeks, Mason & Vinson, Inc., bearing the seal of A. B. Moon, Jr., GRLS No.: 782, dated July 13, 2009.


 Lessor


 Lessee

Exhibit "A"
Muscogee County – Columbus State University

Easement Parcel 2 – Temporary Construction Easement (Limits of Construction)

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:

All that tract or parcel of land lying and being in Land Lot 33, 8th District, Columbus, Muscogee County, Georgia being more particularly described as follows:

Commence at a concrete monument located at the intersection of the southeasterly right-of-way of Gentian Boulevard (right-of-way varies) and the southerly right-of-way of University Avenue; thence South 08 degrees 41 minutes 14 seconds West, 565.76 feet to a calculated point and the **POINT OF BEGINNING**; thence South 89 degrees 27 minutes 58 seconds East, 112.96 feet to a calculated point; thence South 89 degrees 38 minutes 40 seconds East, 336.93 feet to a calculated point; thence North 83 degrees 33 minutes 00 seconds East, 22.29 feet to a calculated point; thence South 07 degrees 31 minutes 36 seconds West, 35.73 feet to a calculated point; thence South 19 degrees 16 minutes 49 seconds West, 22.68 feet to a calculated point; thence South 27 degrees 55 minutes 16 seconds West, 24.70 feet to a calculated point; thence South 23 degrees 49 minutes 25 seconds West, 43.87 feet to a calculated point; thence South 13 degrees 21 minutes 03 seconds West, 35.70 feet to a calculated point; thence South 02 degrees 57 minutes 12 seconds West, 42.69 feet to a calculated point; thence South 00 degrees 15 minutes 57 seconds West, 58.07 feet to a calculated point; thence South 01 degree 16 minutes 52 seconds West, 72.52 feet to a calculated point; thence South 26 degrees 55 minutes 17 seconds West, 11.84 feet to a calculated point; thence South 00 degrees 25 minutes 23 seconds West, 119.70 feet to a calculated point; thence South 07 degrees 14 minutes 38 seconds West, 23.35 feet to a calculated point; thence North 81 degrees 25 minutes 47 seconds West, 79.71 feet to a calculated point; thence North 89 degrees 41 minutes 12 seconds West, 279.02 feet to a calculated point; thence North 00 degrees 32 minutes 02 seconds East, 39.86 feet to a calculated point; thence South 89 degrees 27 minutes 58 seconds East, 9.20 feet to a calculated point; thence North 00 degrees 32 minutes 02 seconds East, 233.44 feet to a calculated point; thence North 89 degrees 27 minutes 58 seconds West, 10.42 feet to a calculated point; thence North 11 degrees 31 minutes 27 seconds West, 19.03 feet to a calculated point; thence along the arc of a counterclockwise curve (said arc having a radius of 606.96 feet and being subtended by a 165.48 foot chord bearing North 17 degrees 11 minutes 13 seconds West), 166.0 feet to a calculated point; thence North 00 degrees 32 minutes 02 seconds East, 17.35 feet to a calculated point and the **POINT OF BEGINNING**.

Containing 4.082 acres (this includes Leasehold Parcel 1) as shown on that certain ALTA/ACSM Survey dated May 15, 2009, and last revised on July 6, 2009, prepared by Moon, Meeks, Mason & Vinson, Inc., bearing the seal of A. B. Moon, Jr., GRLS No.: 782, July 13, 2009.

Exhibit "A"
Muscogee County – Columbus State University

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 Lessee'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 (as described in Deed Book 986, Page 222, Muscogee County, Georgia Deed Records) 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, including, without limitation, the right to relocate existing utilities during the Construction Term on or under the Premises in accordance with the plans and specifications for the improvements to be constructed on 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.

INGRESS/EGRESS EASEMENTS:

During the term of this Lease, Lessor grants to Lessee a non-exclusive easement over and across all existing and future walkways and drives between Cougar Way (a private street owned by Lessor) and Cougar Court (a private street owned by Lessor) and the Premises for vehicular and pedestrian ingress and egress to and from the Premises and Cougar Way and Cougar Court for access to adjacent public roads as well as a non-exclusive easement to use Lessor's parking facilities that Lessor designates for such use and subject to such reasonable fees and regulations as Lessor may impose.


Lessor


Lessee

Special Stipulations

[None]

MM
Lessor
SN
Lessee

EXHIBIT "C"

PLANS AND SPECIFICATIONS



Lessor


Lessee

Columbus State University
Construction Document List
Exhibit C

Specifications**Division 00 Procurement and Contracting Requirements****Introductory Information**

000101	Project Title Page	5/8/2009
000110	Table of Contents	5/8/2009

Contracting Requirements

006536	Contractor Warranty Form	5/8/2009
006537	Installer Warranty Form	5/8/2009

Division 1 General Requirements

011100	Summary of Work	5/8/2009
012300	Alternates	5/8/2009
012513	Product Substitution Procedures	5/8/2009
013119	Project Meetings	5/8/2009
013200	Construction Progress Documentation	5/8/2009
013233	Photograph Documentation	5/8/2009
013300	Submittal Procedures	5/8/2009
013330	Structural Submittals	5/8/2009
014525	Structural Testing/Inspection Agency Services	5/8/2009
014529	Testing Laboratory Services	5/8/2009
015000	Temporary Facilities and Controls	5/8/2009
016000	Product Requirements	5/8/2009
017123	Field Engineering	5/8/2009
017410	Cleaning Up	5/8/2009
017700	Closeout Procedures	5/8/2009
019113	General Commissioning Requirements	5/8/2009

Division 2 Existing Conditions

023000	Subsurface Investigations	5/8/2009
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Division 3 Concrete

031000	Concrete Formwork	5/8/2009
032000	Concrete Reinforcement	5/8/2009
033000	Cast-in-Place Concrete	5/8/2009
033300	Architectural Concrete	5/8/2009
033500	Concrete Finishing	5/8/2009
036200	Non-shrink Grout	5/8/2009



 Lessor


 Lessee

Division 4		
	Masonry	
040500	Mortar and Masonry Grout	5/8/2009
040523	Masonry Accessories	5/8/2009
042113	Brick Masonry	5/8/2009
042200	Concrete Unit Masonry	5/8/2009
047200	Cast Stone Masonry	5/8/2009
048500	Stone Veneer	5/8/2009
Division 5		
	Metals	
051000	Structural Steel	5/8/2009
051213	Architecturally Exposed Structural Steel Framing	5/8/2009
052000	Steel Joists	5/8/2009
053000	Metal Decking	5/8/2009
054000	Cold Formed Metal Framing	5/8/2009
055000	Metal Fabrications	5/8/2009
055100	Metal Stairs, Ladders and Railings	5/8/2009
055214	Ornamental Railings	5/8/2009
055215	Architectural Steel Railings	5/8/2009
055216	Architectural Aluminum Railings	5/8/2009
Division 6		
	Wood, Plastics and Composites	
061000	Rough Carpentry	5/8/2009
062000	Finish Carpentry	5/8/2009
066116	Solid Surface Fabrications	5/8/2009
066200	Architectural Urethane Millwork	5/8/2009
Division 7		
	Thermal and Moisture Protection	
071000	Dampproofing	5/8/2009
071300	Membrane Waterproofing	5/8/2009
071600	Elevator Pit Waterproofing	5/8/2009
071813	Pedestrian Traffic Topping	5/8/2009
071900	Water-Repellant Coating	5/8/2009
072100	Thermal Insulation	5/8/2009
072616	Vapor Retarder	5/8/2009
072719	Air Infiltration Barrier	5/8/2009
072800	Elastomeric Coating	5/8/2009
074113	Metal Roof Panels	5/8/2009
074213	Metal Walls Panels	5/8/2009
075216	SBS Modified Bituminous Membrane Roofing	5/8/2009
076000	Flashing and Sheet Metal	5/8/2009
076500	Flexible Flashing	5/8/2009
077213	Manufactured Curbs	5/8/2009
077233	Roof Hatches	5/8/2009
078116	Fireproofing	5/8/2009


 Lessor

 Lessee

078400	Firestopping	5/8/2009
079200	Joint Sealers	5/8/2009
079500	Expansion Control	5/8/2009
Division 8	Openings	
081100	Hollow Metal Doors and Frames	5/8/2009
081400	Wood Doors	5/8/2009
083100	Access Doors and Panels	5/8/2009
083220	Fiberglass Reinforced Plastic (FRP) Doors	5/8/2009
084113	Aluminum-Framed Entrances and Storefronts	5/8/2009
044413	Aluminum Curtain Walls	5/8/2009
087100	Door Hardware	5/8/2009
088000	Glazing	5/8/2009
089119	Extruded Aluminum Louvers	5/8/2009
Division 9	Finishes	
092900	Gypsum Board	5/8/2009
093000	Tiling	5/8/2009
095100	Acoustical Ceilings	5/8/2009
095423	Linear Metal Ceilings	5/8/2009
096313	Brick Pavers	5/8/2009
096340	Stone Work	5/8/2009
096460	Wood Athletic Flooring Systems	5/8/2009
096500	Resilient Flooring	5/8/2009
096800	Carpeting	5/8/2009
097000	Wall Covering	5/8/2009
097713	Fabric-Wrapped Panels	5/8/2009
097813	Fiberglass Reinforced Plastic (FRP) Wall Panels	5/8/2009
099000	Painting and Coating	5/8/2009
099657	Epoxy-Urethane Coatings	5/8/2009
Division 10	Specialties	
101110	Visual Display Surfaces	5/8/2009
101400	Signage and Graphics	5/8/2009
102115	Plastic Toilet and Shower Compartments	5/8/2009
102600	Wall and Corner Protection Systems	5/8/2009
102813	Toilet Accessories	5/8/2009
104400	Fire Protection Specialties	5/8/2009
105117	Plastic Lockers	5/8/2009
Division 11	Equipment	
113000	Residential Equipment	5/8/2009
116833	Athletic Equipment	5/8/2009
Division 12	Furnishings	


 Lessor

 Lessee

122113	Horizontal Louver Blinds	5/8/2009
122418	Roller Shades	5/8/2009
124813	Entrance Floor Mats and Frames	5/8/2009
Division 13	Special Construction	
131315	Swimming Pools	5/8/2009
132416	Saunas	5/8/2009
Division 14	Conveying Systems	
140125	Elevator Maintenance Proposal	5/8/2009
142423	Hydraulic Passenger Elevators	5/8/2009
Division 21	Fire Suppression	
210510	General Fire Suppression Requirements	5/8/2009
211100	Fire Suppression Piping	5/8/2009
211300	Fire Suppression Sprinkler Systems	5/8/2009
Division 22	Plumbing	
220510	General Plumbing Requirements	5/8/2009
220513	Motors for Plumbing Equipment	5/8/2009
220519	Meters and Gages for Plumbing Piping	5/8/2009
220553	Identification for Plumbing Piping	5/8/2009
220719	Plumbing Piping Insulation	5/8/2009
221005	Plumbing Piping	5/8/2009
221006	Plumbing Piping Specialties	5/8/2009
223000	Plumbing Equipment	5/8/2009
224000	Plumbing Fixtures	5/8/2009
Division 23	Heating Ventilating and Air Conditioning	
230510	General Mechanical Requirements	5/8/2009
230513	Motors for HVAC Equipment	5/8/2009
230514	Variable Frequency Controllers	5/8/2009
230516	Expansion Fittings and Loops for HVAC Piping	5/8/2009
230519	Meters and Gages for HVAC Piping	5/8/2009
230548	Vibration Isolation	5/8/2009
230553	Identification for HVAC Piping	5/8/2009
230554	Piping and Valve Identification	5/8/2009
230593	Testing, Adjusting, and Balancing for HVAC	5/8/2009
230713	Duct Insulation	5/8/2009
230716	HVAC Equipment Insulation	5/8/2009
230800	HVAC Commissioning Requirements	5/8/2009
230913	Instrumentation and Control Devices for HVAC	5/8/2009
230923	Direct-Digital Control System for HVAC	5/8/2009
230994	HVAC Sequence of Operation	5/8/2009
232113	Hydronic Piping	5/8/2009


 Lessor

 Lessee

232114	Hydronic Specialties	5/8/2009
232123	Hydronic Pumps	5/8/2009
232300	Refrigerant piping	5/8/2009
232513	HVAC Water Treatment - Closed Loop Hydronic Systems	5/8/2009
232516	HVAC Water Treatment - Open Hydronic Systems	5/8/2009
233100	HVAC Ducts and Casings	5/8/2009
233300	Air Duct Accessories	5/8/2009
233413	Axial HVAC Fans	5/8/2009
233423	HVAC Power Ventilators	5/8/2009
233600	Air Terminal Units	5/8/2009
233700	Air Outlets and Inlets	5/8/2009
234000	HVAC Air Cleaning Devices	5/8/2009
235100	Breechings, Chimneys, and Stacks	5/8/2009
235213	Electric Boilers	5/8/2009
235223	Cast-Iron Boilers	5/8/2009
236417	Helical Rotary Water Chillers	5/8/2009
236516	Induced Draft Cooling Towers	5/8/2009
237210	Packaged Air Handling Energy Recovery Units	5/8/2009
237230	Natatorium Dehumidifier Units	5/8/2009
237313	Modular Indoor Central-Station Air-Handling Units	5/8/2009
238101	Terminal Heat Transfer Units	5/8/2009
238130	Ductless Split System Air Conditioners	5/8/2009
238216	Air Coils	5/8/2009
238313	Radiant-Heating Cables	5/8/2009

Division 25

250800

Integrated Automation

Integrated Automation Commissioning

5/8/2009

Division 26**Electrical**

260510	General Electrical Requirements	5/8/2009
260519	Low Voltage Electrical Power Conductors and Cables (600v and less)	5/8/2009
260526	Grounding and Bonding for Electrical Systems	5/8/2009
260529	Hangers and Supports for Electrical Systems	5/8/2009
260534	Conduit	5/8/2009
260535	Surface Raceways	5/8/2009
260536	Cable Trays for Electrical Systems	5/8/2009
260537	Boxes	5/8/2009
260553	Identification for Electrical Systems	5/8/2009
260573	Overcurrent Protective Device Coordination Study	5/8/2009
260574	Electrical Testing	5/8/2009
262200	Low Voltage Transformers	5/8/2009
262413	Switchboards	5/8/2009
262416	Panelboards	5/8/2009
262419	Motor Control Centers	5/8/2009
262701	Electrical Service Entrance	5/8/2009


 Lessor

 Lessee

262717	Equipment Wiring	5/8/2009
262726	Wiring Devices	5/8/2009
262813	Fuses	5/8/2009
262817	Enclosed Circuit Breakers	5/8/2009
263213	Engine Generators	5/8/2009
263600	Transfer Switches	5/8/2009
264113	Lighting Protection	5/8/2009
265100	Interior Lighting	5/8/2009
265200	Sensor Lighting Controls	5/8/2009
265600	Exterior Lighting	5/8/2009
Division 27	Communications	
271005	Structured Cabling for Voice and Data - Inside Plant	5/8/2009
271300	Outside Plant (OSP) Cabling, Pathways, and Components	5/8/2009
275117	Public Address Systems	5/8/2009
Division 28	Electronic Safety and Security	
283100	Fire Alarm System	5/8/2009
Division 31	Earthwork	
311000	Site Clearing	5/8/2009
312002	Trenching	5/8/2009
312003	Erosion Control	5/8/2009
312006	Subgrade	5/8/2009
312301	Excavating, Backfilling, and Compacting for Structures	5/8/2009
313116	Termite Control	5/8/2009
315000	Excavation	5/8/2009
Division 32	Exterior Improvements	
321313	Pavement and Curbing	5/8/2009
323119	Decorative Metal Fences and Gates	5/8/2009
Division 33	Utilities	
334100	Storm Utility Drainage Piping	5/8/2009
334600	Foundation Drainage System	5/8/2009
334660	Water Main and Appurtenances	5/8/2009
334700	Sanitary Sewers	5/8/2009
334750	Manholes	5/8/2009
DRAWINGS		
General		5/8/2009
G000	Cover Sheet	5/8/2009
G002	Cover Sheet - Page 2	5/8/2009
G003	Lower Level Life Safety Plan	5/8/2009


 Lessor

 Lessee

G004	Entry Level Life Safety Plan	5/8/2009
G005	Upper Level Life Safety Plan	5/8/2009
Civil		
C001	Civil Site Demolition Plan	5/8/2009
C002	Grading and Drainage Plan	5/8/2009
C003	Erosion and Sediment Control Plan	5/8/2009
C004	Utilities Plan and Dimension Layout	5/8/2009
Structural		
S0.01	Structural Abbreviations, Symbols & Legends	5/8/2009
S0.02	Structural Notes	5/8/2009
S0.03	Component & Cladding, Wind Pressure Diagrams	5/8/2009
S1.00	Overall Foundation Plan	5/8/2009
S1.01	Foundation Plan - Part A	5/8/2009
S1.02	Foundation Plan - Part B	5/8/2009
S1.03	Foundation Plan - Part C	5/8/2009
S1.04	Foundation Plan - Part D	5/8/2009
S1.10	Overall Lower Plan	5/8/2009
S1.11	Lower Level Partial Slab Plan	5/8/2009
S1.12	Lower Level Partial Slab Plan	5/8/2009
S1.20	Overall Main Level Plan	5/8/2009
S1.21	Main Level Partial Slab Plan	5/8/2009
S1.22	Main Level Partial Slab Plan	5/8/2009
S1.23	Main Level Partial Slab Plan	5/8/2009
S1.24	Main Level Partial Slab Plan	5/8/2009
S1.30	Overall Upper Level Plan	5/8/2009
S1.31	Upper Level Partial Slab Plan	5/8/2009
S1.32	Upper Level Partial Slab Plan	5/8/2009
S1.33	Upper Level Partial Slab Plan	5/8/2009
S1.34	Upper Level Partial Slab Plan	5/8/2009
S.140	Overall Low Roof Plan	5/8/2009
S1.41	Low Roof Partial Framing Plan	5/8/2009
S1.42	Low Roof Partial Framing Plan	5/8/2009
S1.43	Low Roof Partial Framing Plan	5/8/2009
S1.44	Low Roof Partial Framing Plan	5/8/2009
S1.50	Overall High Roof Plan	5/8/2009
S1.51	High Roof Partial Framing Plan	5/8/2009
S1.52	High Roof Partial Framing Plan	5/8/2009
S1.53	High Roof Partial Framing Plan	5/8/2009
S3.01	Foundation and Concrete Wall Details	5/8/2009
S3.02	Foundation Details	5/8/2009
S3.03	Foundation Details	5/8/2009
S3.11	Grade Supported Slab Details	5/8/2009



Lessor





Lessee

S3.12	Grade Supported Slab Details	5/8/2009
S6.11	Steel Framing Details	5/8/2009
S6.12	Steel Framing Details	5/8/2009
S6.13	Steel Framing Details	5/8/2009
S6.14	Steel Framing Details	5/8/2009
S6.15	Steel Framing Details	5/8/2009
S6.16	Steel Framing Details	5/8/2009
S6.17	Steel Framing Details	5/8/2009
S6.18	Steel Framing Details	5/8/2009
S6.21	CMU Framing Details	5/8/2009

Architectural

A001	Lower Level Floor Plan	5/8/2009
A002	Main Level Floor Plan	5/8/2009
A003	Upper Level Floor Plan	5/8/2009
A004	Roof Plan	5/8/2009
A1.10	Lower Level Slab Plan	5/8/2009
A1.11	Lower Level Partial Plan	5/8/2009
A1.12	Lower Level Partial Plan	5/8/2009
A1.20	Entry Level Slab Plan	5/8/2009
A1.21	Entry Level Partial Plan	5/8/2009
A1.22	Entry Level Partial Plan	5/8/2009
A1.23	Entry Level Partial Plan	5/8/2009
A1.24	Entry Level Partial Plan	5/8/2009
A1.30	Upper Level Slab Plan	5/8/2009
A1.31	Upper Level Partial Plan	5/8/2009
A1.32	Upper Level Partial Plan	5/8/2009
A1.33	Upper Level Partial Plan	5/8/2009
A1.41	Partial Lower Level Ceiling Plan	5/8/2009
A1.42	Partial Lower Level Ceiling Plan	5/8/2009
A1.51	Partial Entry Level Ceiling Plan	5/8/2009
A1.52	Partial Entry Level Ceiling Plan	5/8/2009
A1.53	Partial Entry Level Ceiling Plan	5/8/2009
A1.61	Partial Upper Level Level Ceiling Plan	5/8/2009
A1.62	Partial Upper Level Level Ceiling Plan	5/8/2009
A1.63	Partial Upper Level Level Ceiling Plan	5/8/2009
A2.01	Exterior Elevations	5/8/2009
A2.02	Exterior Elevations	5/8/2009
A3.01	Building Sections	5/8/2009
A3.02	Building Sections	5/8/2009
A3.03	Wall Sections	5/8/2009
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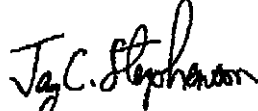
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 Lessor

 Lessee



Jay C. Stephenson
Clerk of Superior Court Cobb Cty. Ga.

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PLEASE RECORD AND RETURN TO:

DEBORAH M. BRANDON
FIRST AMERICAN TITLE INSURANCE COMPANY
NATIONAL COMMERCIAL SERVICES
5607 GLENRIDGE DRIVE, SUITE 275
ATLANTA, GEORGIA 30342
FILE NO.: NCS 394906

SOUTHERN POLYTECHNIC STATE UNIVERSITY STUDENT HOUSING AND
DINING HALL GROUND LEASE

BY AND BETWEEN

THE BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA

AND

USG REAL ESTATE FOUNDATION II, LLC

DATED AS OF JULY 23, 2009

No. 2 of 2 Executed Original Counterparts.

COUNTERPART OF LESSEE

STATE OF GEORGIA;
COUNTY OF FULTON:

**SOUTHERN POLYTECHNIC STATE UNIVERSITY
STUDENT HOUSING AND DINING HALL GROUND LEASE**

THIS GROUND LEASE (hereinafter referred to as the "Ground Lease" or "Lease") is made and entered this 23rd day of July, 2009, 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 II, LLC, whose address for purposes of this Lease is 270 Washington Street, S.W. Atlanta, Georgia 30334, hereinafter referred to as "Lessee"), for the use of certain real property located on the campus of Southern Polytechnic State University, a unit of the University System of Georgia (hereinafter referred to as "Institution").

WITNESSETH THAT:

WHEREAS, Lessor is the owner of certain real property consisting of approximately 1.986 acres situated in the City of Marietta, Cobb 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


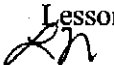
WHEREAS, Lessee desires to lease the Premises from Lessor; and

WHEREAS, at its meeting of June 10, 2009 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, equipping and maintaining student housing facilities containing approximately 602 student housing beds, an approximately 16,973 square foot dining hall, and site amenities; 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, equipping and maintaining student housing facilities containing approximately 602 student housing beds, an approximately 16,973 square foot dining hall, and site amenities 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.

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Lessor

Lessee

1.

USE OF PROPERTY

1.1 The Premises shall be used by Lessee for the purpose of constructing, owning, operating, equipping and maintaining student housing facilities containing approximately 602 student housing beds, an approximately 16,973 square foot dining hall, and site amenities (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 constructing, 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.


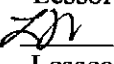
3.

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.


Lessor

Lessee

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 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 August 1, 2010, and ending at 11:59 o'clock P.M. prevailing legal time in Atlanta, Georgia, on June 30, 2039, 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.

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

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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.

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Lessee

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 student housing facilities containing approximately 602 student housing beds, an approximately 16,973 square foot dining hall, and site amenities. 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 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.

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Lessor

Lessee

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 lender'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.

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



Lessor


Lessee

(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:

- (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).


 Lessor

 Lessee

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:



Lessor


Lessee

"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:

<i>Coverage</i>	<i>Limit</i>
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 *
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.


 Lessor

 Lessee

- (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.

Lessor

Lessee

(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 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.



 Lessor


 Lessee

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 untenable 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.

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.

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ZV
Lessee

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 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



Lessor


Lessee

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.

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

Lessee

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.

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.

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Lessor


Lessee

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 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]

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Lessor


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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: Linda M. Daniels L.S.
LINDA M. DANIELS
Vice Chancellor

Attest: James Burns Newsome L.S.
JAMES BURNS NEWSOME
Secretary to the Board

(Seal Affixed Here)

Signed, sealed and delivered as to
Lessor in the presence of:

[Signature]
Unofficial Witness

[Signature]
Official Witness, Notary Public



My Commission Expires: APRIL 10, 2011

APPROVAL OF INSTITUTION:

By: Lisa A. Rosebecker
President

[SIGNATURES CONTINUED NEXT PAGE]

[Signature]
Lessor
[Signature]
Lessee

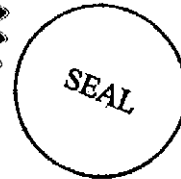
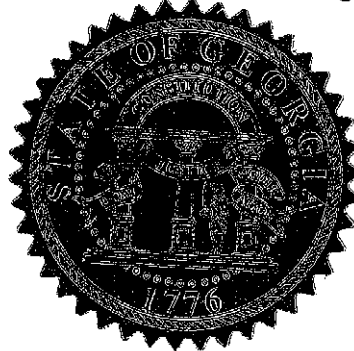
[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

APPROVED:

By: Sonny Perdue
SONNY PERDUE
Governor

Attest: Karen C Handel
KAREN C. HANDEL
Secretary of State

(Great Seal of the State of Georgia)

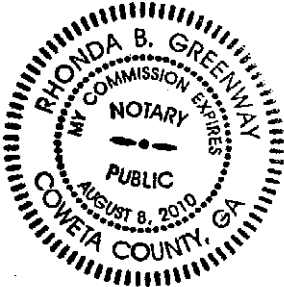


Signed, sealed and delivered as to
Governor in the presence of:

Mattie Dunham
Unofficial Witness

Brenda D. Perry
Official Witness, Notary Public

My Commission Expires: Aug 8, 2010



[SIGNATURES CONTINUED NEXT PAGE]

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[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

LESSEE:

USG REAL ESTATE FOUNDATION II, LLC, a Georgia limited liability company

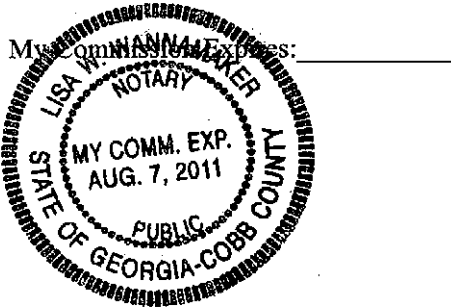
By: USGREF Manager, LLC, a Georgia limited liability company, its Manager

By: *Frank P. Ros* L.S.
Authorized Representative

Signed, sealed and delivered as to Lessee in the presence of:

Mary Margaret Kuei
Unofficial Witness

Lisa W. Nasonaker
Official Witness, Notary Public



MN
Lessor
FR
Lessee

Exhibit "A"
Cobb County – Southern Polytechnic State University

Ground Lease
Student Housing and Dining Site

All that tract or parcel of land lying and being in Land Lots 435 and 502, 17th District, City of Marietta, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to Land Lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to Land Lots 435 and 502, North 00 degrees 50 minutes 40 seconds East a distance of 797.97 feet to a point, Thence leaving said Land Lot Line North 55 degrees 53 minutes 47 seconds West a distance of 44.39 feet to a point; Thence North 88 degrees 28 minutes 20 seconds West a distance of 210.52 feet to a point; Thence South 28 degrees 50 minutes 38 seconds West a distance of 49.66 feet to a point; Thence North 61 degrees 09 minutes 22 seconds West a distance of 108.57 feet to a point; Thence North 72 degrees 55 minutes 42 seconds East a distance of 151.54 feet to a point; Thence North 01 degrees 22 minutes 34 seconds East a distance of 381.39 feet to a point; Thence South 87 degrees 17 minutes 04 seconds East a distance of 77.53 feet to a point, said point being the **TRUE POINT OF BEGINNING**, Thence South 87 degrees 17 minutes 04 seconds East a distance of 111.34 feet to a 5/8" rebar set; Thence South 41 degrees 07 minutes 38 seconds East a distance of 29.75 feet to a 5/8" rebar set; Thence South 87 degrees 17 minutes 04 seconds East a distance of 38.16 feet to a 5/8" rebar set; Thence North 02 degrees 42 minutes 56 seconds East a distance of 11.17 feet to a 5/8" rebar set; Thence South 88 degrees 17 minutes 47 seconds East a distance of 71.95 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 142.11 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 100.06 feet to a 5/8" rebar set; Thence South 88 degrees 22 minutes 26 seconds East a distance of 63.04 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 40.72 feet to a 5/8" rebar set; Thence South 88 degrees 27 minutes 50 seconds East a distance of 104.83 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 77.39 feet to a 5/8" rebar set; Thence South 88 degrees 27 minutes 50 seconds East a distance of 176.00 feet to a 5/8" rebar set; Thence South 01 degrees 32 minutes 10 seconds West a distance of 88.67 feet to a 5/8" rebar set; Thence North 88 degrees 27 minutes 50 seconds West a distance of 252.75 feet to a 5/8" rebar set; Thence North 01 degrees 32 minutes 10 seconds East a distance of 131.22 feet to a 5/8" rebar set; Thence North 88 degrees 52 minutes 27 seconds West a distance of 207.37 feet to a 5/8" rebar set; Thence North 01 degrees 32 minutes 10 seconds East a distance of 205.49 feet to a 5/8" rebar set; Thence North 88 degrees 27 minutes 50 seconds West a distance of 125.50 feet to a 5/8" rebar set; Thence North 01 degrees 30 minutes 36 seconds East a distance of 127.81 feet to a 5/8" rebar set; Said point being the **TRUE POINT OF BEGINNING**.

Said tract of land contains **1.986** acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No.: 3042, dated February 16, 2009 and last revised on July 21, 2009.


Lessor

Lessee

Exhibit "A"
Cobb County – Southern Polytechnic State University

Student Housing and Dining Site

TEMPORARY CONSTRUCTION EASEMENTS

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 Limits (1)

All that tract or parcel of land lying and being in Land Lots 435 and 502, 17th District, City of Marietta, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to Land Lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to Land Lots 435 and 502, North 00 degrees 50 minutes 40 seconds East a distance of 797.97 feet to a point, Said point being the **TRUE POINT OF BEGINNING**. Thence leaving said Land Lot Line North 55 degrees 53 minutes 47 seconds West a distance of 44.39 feet to a point; Thence North 88 degrees 28 minutes 20 seconds West a distance of 210.52 feet to a point; Thence South 28 degrees 50 minutes 38 seconds West a distance of 49.66 feet to a point; Thence North 61 degrees 09 minutes 22 seconds West a distance of 108.57 feet to a point; Thence North 72 degrees 55 minutes 42 seconds East a distance of 151.54 feet to a point; Thence North 01 degrees 22 minutes 34 seconds East a distance of 381.39 feet to a point; Thence South 87 degrees 17 minutes 04 seconds East a distance of 77.53 feet to a point; Thence South 87 degrees 17 minutes 04 seconds East a distance of 111.34 feet to a point; Thence South 41 degrees 07 minutes 38 seconds East a distance of 29.75 feet to a point; Thence South 87 degrees 17 minutes 04 seconds East a distance of 38.16 feet to a point; Thence North 02 degrees 42 minutes 56 seconds East a distance of 22.28 feet to a point; Thence North 81 degrees 26 minutes 18 seconds East a distance of 121.30 feet to a point; Thence South 08 degrees 11 minutes 26 seconds East a distance of 173.77 feet to a point; Thence South 51 degrees 12 minutes 23 seconds East a distance of 141.29 feet to a point; Thence South 88 degrees 27 minutes 52 seconds East a distance of 206.99 feet to a point; Thence South 01 degrees 32 minutes 08 seconds West a distance of 229.31 feet to a point; Thence along a curve to the left with an arc length of 60.22 feet, said curve having a radius of 228.00 feet, with a chord distance of 60.05 feet, at South 81 degrees 36 minutes 19 seconds West, to a point; Thence South 74 degrees 02 minutes 18 seconds West a distance of 142.42 feet to a point; Thence along a curve to the left with an arc length of 80.32 feet, said curve having a radius of 228.00 feet, with a chord distance of 79.91 feet, at South 63 degrees 56 minutes 44 seconds West, to a point; Thence South 53 degrees 51 minutes 25 seconds West a distance of 39.36 feet to a point; Thence North 55 degrees 53 minutes 47 seconds West a distance of 230.49 feet to a point; Said point being the **TRUE POINT OF BEGINNING**.

Said tract of land contains 6.499 acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No.: 3042, dated February 16, 2009 and last revised on July 21, 2009.

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Lessor


Lessee

Exhibit "A"
Cobb County – Southern Polytechnic State University

Temporary Construction Limits (2)

All that tract or parcel of land lying and being in Land Lot 435, 17th District, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to Land Lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to Land Lots 435 and 502, North 00 degrees 50 minutes 40 seconds East a distance of 797.97 feet to a point, Thence leaving said Land Lot Line North 55 degrees 53 minutes 47 seconds West a distance of 44.39 feet to a point; Thence North 88 degrees 28 minutes 20 seconds West a distance of 210.52 feet to a point; Thence South 28 degrees 50 minutes 38 seconds West a distance of 49.66 feet to a point; Thence North 61 degrees 09 minutes 22 seconds West a distance of 108.57 feet to a point, Said point being the **TRUE POINT OF BEGINNING**. Thence North 51 degrees 06 minutes 50 seconds West a distance of 38.26 feet to a point; Thence North 01 degrees 20 minutes 42 seconds East a distance of 386.47 feet to a point; Thence North 34 degrees 51 minutes 21 seconds East a distance of 44.59 feet to a point; Thence South 47 degrees 17 minutes 35 seconds East a distance of 32.81 feet to a point; Thence South 87 degrees 23 minutes 07 seconds East a distance of 48.38 feet to a point; Thence North 02 degrees 42 minutes 56 seconds East a distance of 6.76 feet to a point; Thence South 87 degrees 23 minutes 11 seconds East a distance of 76.57 feet to a point; Thence South 01 degrees 22 minutes 34 seconds West a distance of 381.39 feet to a point; Thence South 72 degrees 55 minutes 42 seconds West a distance of 151.54 feet to a point; Said point being the **TRUE POINT OF BEGINNING**.

Said tract of land contains 1.629 acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No.: 3042, dated February 16, 2009 and last revised on July 21, 2009.

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 Lessee'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 (as described in Deed Book 454, Page 151 and Deed Book 1668, Page 126, Cobb County, Georgia Deed Records) 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, including, without limitation, the right to relocate existing utilities during the Construction Term on or under the Premises in accordance with the plans and specifications for the improvements to be constructed on the Premises, so long as Lessee pays




Lessor

Lessee

Exhibit "A"
Cobb County – Southern Polytechnic State University

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.

INGRESS/EGRESS EASEMENTS:

During the term of this Lease, Lessor grants to Lessee a non-exclusive easement over and across all existing and future walkways and drives between Alumni Drive (a private street owned by Lessor), and Hornet Drive (a private street owned by Lessor), and the Premises for vehicular and pedestrian ingress and egress to and from the Premises and Alumni Drive (a private street owned by Lessor), Hornet Drive (a private street owned by Lessor), for access to adjacent public roads as well as a non-exclusive easement to use Lessor's parking facilities that Lessor designates for such use and subject to such reasonable fees and regulations as Lessor may impose.


Lessor

Lessee

EXHIBIT "B"

Special Stipulations

[None]

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Lessor


Lessee

EXHIBIT "C"
PLANS AND SPECIFICATIONS

25

MN
Lessor
LR
Lessee

Deed Book 14713 Pg 799

SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<i>General Project Information</i>			
G.00	COVER	05.01.09	
G.01	INDEX OF DRAWINGS	05.01.09	
G.01A	INDEX OF DRAWINGS	05.01.09	
G.02	ABBREVIATIONS LEGENDS AND SYMBOLS	05.01.09	
G.03	SITE SECTOR PLAN	05.01.09	

Civil

CS	COVER SHEET	05/01/09	
1 of 3	BOUNDARY AND TOPOGRAPHIC SURVEY	02-16-09	
2 of 3	BOUNDARY AND TOPOGRAPHIC SURVEY	02-16-09	
3 of 3	BOUNDARY AND TOPOGRAPHIC SURVEY	02-16-09	
R-1	REVISION SHEET	05/01/09	
C-0.1	DEMOLITION PLAN	05/01/09	
C-0.2	DEMOLITION PLAN	05/01/09	
C-1	SITE PLAN	05/01/09	
C-2	UTILITY PLAN	05/01/09	
C-3	GRADING PLAN	05/01/09	
C-4A	EROSION CONTROL PLAN PHASE I	05/01/09	
C-4B	EROSION CONTROL PLAN PHASE II	05/01/09	
C-4C	EROSION CONTROL PLAN PHASE III	05/01/09	
C-5	SANITARY SEWER PROFILES	05/01/09	
C-6a	STORM SEWER PROFILES	05/01/09	
C-6b	STORM SEWER PROFILES	05/01/09	
C-7	CONSTRUCTION DETAILS	05/01/09	
C-8	CONSTRUCTION DETAILS	05/01/09	
C-9	CONSTRUCTION DETAILS	05/01/09	
C-10	CONSTRUCTION DETAILS	05/01/09	
C-11	CONSTRUCTION DETAILS	05/01/09	
C-12	CONSTRUCTION DETAILS	05/01/09	
C-13	CONSTRUCTION DETAILS	05/01/09	
C-14	CONSTRUCTION DETAILS	05/01/09	
C-15	CONSTRUCTION DETAILS	05/01/09	


 Lessor

 Lessee

Deed Book 14713 Pg 800

SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<i>Architectural</i>			
A0.01	BUILDING CODE REVIEW & PROJECT INFORMATION	05.01.09	
A0.02	ACCESSIBLE DESIGN PROVISIONS	05.01.09	
A0.10	BUILDING 100 LIFE SAFETY BASEMENT AND LEVEL 1	05.01.09	
A0.20	UL ASSEMBLIES	05.01.09	
A0.12	BUILDING 100 LIFE SAFETY LEVEL 4	05.01.09	
A0.13	BUILDING 200 LIFE SAFETY BASEMENT AND LEVEL 1	05.01.09	
A0.14	BUILDING 200 LIFE SAFETY LEVEL 2 AND 3	05.01.09	
A0.15	BUILDING 200 LIFE SAFETY LEVEL 4	05.01.09	
A0.20	UL ASSEMBLIES	05.01.09	
A0.21	UL ASSEMBLIES	05.01.09	
A0.22	UL ASSEMBLIES	05.01.09	
A0.23	UL ASSEMBLIES	05.01.09	
A0.24	UL ASSEMBLIES	05.01.09	
A0.30	PARTITION TYPES	05.01.09	
A1.00	ARCHITECTURAL SITE PLAN	03.24.07	
A1.11	BUILDING 100 SLAB PLAN	05.01.09	
A1.12	BUILDING 100 BASEMENT FLOOR PLAN	05.01.09	
A1.13	BUILDING 100 LEVEL 1 FLOOR PLAN	05.01.09	
A1.14	BUILDING 100 LEVEL 2 FLOOR PLAN	05.01.09	
A1.15	BUILDING 100 LEVEL 3 FLOOR PLAN	05.01.09	
A1.16	BUILDING 100 LEVEL 4 FLOOR PLAN	05.01.09	
A1.16	BUILDING 100 LEVEL 4 FLOOR PLAN	05.01.09	
A1.21	BUILDING 200 SLAB PLAN	05.01.09	
A1.22	BUILDING 200 BASEMENT FLOOR PLAN	05.01.09	
A1.23	BUILDING 200 LEVEL 1 FLOOR PLAN	05.01.09	
A1.24	BUILDING 200 LEVEL 2 FLOOR PLAN	05.01.09	
A1.25	BUILDING 200 LEVEL 3 FLOOR PLAN	05.01.09	
A1.25	BUILDING 200 LEVEL 3 FLOOR PLAN	05.01.09	
A1.27	BUILDING 200 ROOF PLAN	05.01.09	


 Lessor

 Lessee

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SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
A2.11	BUILDING 100 BASEMENT LEVEL REFLECTED CEILING PLAN	05.01.09	
A2.12	BUILDING 100 LEVEL 1 REFLECTED CEILING PLAN	05.01.09	
A2.13	BUILDING 100 LEVEL 2,3,4 REFLECTED CEILING PLAN	05.01.09	
A2.14	BUILDING 100 ENLARGED REFLECTED CEILING PLANS	05.01.09	
A2.15	BUILDING 100 ENLARGED REFLECTED CEILING PLANS	05.01.09	
A2.16	BUILDING 100 - ENLARGED REFLECTED CEILING PLAN	05.01.09	
A2.21	BUILDING 200 BASEMENT LEVEL REFLECTED CEILING PLAN	05.01.09	
A2.22	BUILDING 200 LEVEL 1 REFLECTED CEILING PLAN	05.01.09	
A2.23	BUILDING 200 LEVEL 2,3,4 REFLECTED CEILING PLAN	05.01.09	
A2.24	BUILDING 200 ENLARGED REFLECTED CEILING PLANS	05.01.09	
A2.25	BUILDING 200 - ENLARGED REFLECTED CEILING PLANS	05.01.09	
A3.11	BUILDING 100 ELEVATIONS	05.01.09	
A3.12	BUILDING 100 ELEVATIONS	05.01.09	
A3.21	BUILDING 200 ELEVATIONS	05.01.09	
A3.22	BUILDING 200 ELEVATIONS	05.01.09	
A3.41	BUILDING 100 & 200 BUILDING SECTIONS	05.01.09	
A3.42	BUILDING 300 SECT	05.01.09	
A4.01	INTERIOR WALL SECTIONS	05.01.09	
A4.11	BUILDING 100 ENLARGED ELEVATIONS AND WALL SECTIONS	05.01.09	
A4.12	BUILDING 100 ENLARGED ELEVATIONS AND WALL SECTIONS	05.01.09	
A4.13	BUILDING 100 ENLARGED ELEVATIONS AND WALL SECTIONS	05.01.09	
A4.14	BUILDING 100 ENLARGED ELEVATIONS AND WALL SECTIONS	05.01.09	


 Lessor

 Lessee

Deed Book 14713 Pg 802

SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
A5.01	UNIT PLAN B1	05.01.09	
A5.02	UNIT PLAN B2	05.01.09	
A5.03	UNIT PLAN RESIDENT MANAGER	05.01.09	
A5.04	UNIT PLAN B1-HC	05.01.09	
A5.05	UNIT PLAN B2-HC	05.01.09	
A5.11	BUILDING 100 ENLARGED BUILDING PLANS	05.01.09	
A5.12	BUILDING 100 ENLARGED BUILDING PLANS	05.01.09	
A5.13	BUILDING 100 ENLARGED BUILDING PLANS	05.01.09	
A5.14	BUILDING 200 ENLARGED BUILDING PLAN	05.01.09	
A5.15	BUILDING 200 ENLARGED BUILDING PLANS	05.01.09	
A5.16	BUILDING 200 ENLARGED BUILDING PLANS	05.01.09	
A5.20	INTERIOR ELEVATIONS	05.01.09	
A6.01	EXTERIOR WALL SECTION DETAILS	05.01.09	
A6.02	SUNSCREEN DETAILS	05.01.09	
A6.03	CANOPY DETAILS	05.01.09	
A6.04	SUNSHADE DETAILS	05.01.09	
A6.05	ENLARGED PLAN DETAILS	05.01.09	
A6.10	TYPICAL ROOF DETAILS	05.01.09	
A6.11	TYPICAL ROOF DETAILS	05.01.09	
A6.20	INTERIOR WALL SECTION DETAILS	05.01.09	
A6.21	INTERIOR DETAILS	05.01.09	
A6.22	INTERIOR DETAILS	05.01.09	
A6.23	INTERIOR DETAILS	05.01.09	
A6.24	ENLARGED PLAN DETAILS	05.01.09	
A7.01	STAIR 1 PLANS AND SECTION	05.01.09	
A7.02	STAIR 2 AND 5 PLANS AND SECTION	05.01.09	
A7.03	STAIR 3 PLANS AND SECTION	05.01.09	
A7.04	STAIR 4 PLANS AND SECTION	05.01.09	
A7.05	STAIR 6 PLANS AND SECTION	05.01.09	
A7.06	STAIR DETAILS	05.01.09	
A7.11	ELEVATOR PLANS AND SECTIONS	05.01.09	
A7.12	ELEVATOR DETAILS	05.01.09	
A8.01	DOOR SCHEDULE BUILDING 100	05.01.09	


 Lessor

 Lessee

Deed Book 14713 Pg 803

SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
A8.02	DOOR SCHEDULE BUILDING 200	05.01.09	
A8.03	DOOR DETAILS	05.01.09	
A8.04	DOOR DETAILS	05.01.09	
A8.11	WINDOW SCHEDULE	05.01.09	
A8.12	WINDOW DETAILS	05.01.09	
A8.13	WINDOW DETAILS	05.01.09	

Interior Drawings

ID1.11	Building 100 Basement Floor Flooring Plan	05.01.09	
ID1.12	Building 100 First Floor Flooring Plan	05.01.09	
ID1.13	Building 100 Second Floor Flooring Plan	05.01.09	
ID1.14	Building 100 Third Floor Flooring Plan	05.01.09	
ID1.15	Building 100 Fourth Floor Flooring Plan	05.01.09	
ID1.21	Building 200 Basement Floor Flooring Plan	05.01.09	
ID1.22	Building 200 First Floor Flooring Plan	05.01.09	
ID1.23	Building 200 Second Floor Flooring Plan	05.01.09	
ID1.24	Building 200 Third Floor Flooring Plan	05.01.09	
ID1.25	Building 200 Fourth Floor Flooring Plan	05.01.09	
ID2.11	Enlarged Plans – Bldg. 100	05.01.09	
ID2.12	Enlarged Plans – Bldg. 100	05.01.09	
ID2.13	Enlarged Plans – Bldg. 100	05.01.09	
ID2.21	Enlarged Plans – Bldg. 200	05.01.09	
ID2.22	Enlarged Plans – Bldg. 200	05.01.09	
ID2.23	Enlarged Plans – Bldg. 200	05.01.09	
ID2.41	Typical Unit Plans	05.01.09	
ID3.11	Building 100 Elevations	05.01.09	
ID3.12	Building 100 Elevations	05.01.09	
ID3.21	Building 200 Elevations	05.01.09	
ID3.22	Building 200 Elevations	05.01.09	
ID4.11	Flooring Transitions	05.01.09	
ID4.12	Stair Details	05.01.09	
ID4.13	Details	05.01.09	
ID4.14	Interior Glazing Details & Schedules	05.01.09	
ID4.15	Reception Desk Details	05.01.09	
ID4.16	Paneling Details	05.01.09	
ID4.17	Furring Details	05.01.09	


 Lessor

 Lessee

Deed Book 14713 Pg 804

SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
ID7.10	Basement Floor Level Furniture Plan	05.01.09	
ID7.11	1 st Floor Level Furniture Plans	05.01.09	
ID7.12	Furniture Plans Various Floors	05.01.09	
ID7.20	Building 200 Basement Floor Furniture Plan	05.01.09	
ID7.21	Furniture Plan – Level 1	05.01.09	
ID7.22	Furniture Plan – Upper Levels	05.01.09	
ID8.10	Finish Schedule	05.01.09	
ID8.11	Finish Specifications	05.01.09	

Structural

S.01	GENERAL NOTES	05/01/09	
S.02	GENERAL NOTES	05/01/09	
S.03	TYPICAL SECTIONS	05/01/09	
S.04	BUILDING 100 & 200 PLAN LAYOUT FOR TYPE OF WALLS	05/01/09	
S1.10	BUILDING 100 SLAB & FOUNDATION PLAN	05/01/09	
S1.11	BUILDING 100 LEVEL 1 FRAMING PLAN	05/01/09	
S1.12	BUILDING 100 LEVEL 2 FRAMING PLAN	05/01/09	
S1.13	BUILDING 100 LEVEL 3 FRAMING PLAN	05/01/09	
S1.14	BUILDING 100 LEVEL 4 FRAMING PLAN	05/01/09	
S1.15	BUILDING 100 ROOF FRAMING PLAN	05/01/09	
S1.20	BUILDING 200 SLAB & FOUNDATION PLAN	05/01/09	
S1.21	BUILDING 200 LEVEL 1 FRAMING PLAN	05/01/09	
S1.22	BUILDING 200 LEVEL 2 FRAMING PLAN	05/01/09	
S1.23	BUILDING 200 LEVEL 3 FRAMING PLAN	05/01/09	
S1.24	BUILDING 200 LEVEL 4 FRAMING PLAN	05/01/09	
S1.25	BUILDING 200 ROOF FRAMING PLAN	05/01/09	
S2.1	UNITS FRAMING PLAN	05/01/09	
S2.2	UNITS FRAMING PLAN	05/01/09	
S3.1	FOUNDATION SECTIONS AND DETAILS	05/01/09	
S3.2	FOUNDATION SECTIONS AND DETAILS	05/01/09	
S3.3	FOUNDATION SECTIONS AND DETAILS	05/01/09	
S4.1	STEEL COLUMN SCHEDULE SECTIONS AND DETAILS	05/01/09	
S4.2	STEEL COLUMN SCHEDULE SECTIONS AND DETAILS	05/01/09	


 Lessor

 Lessee

**SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C**

Niles Bolton Associates Specification List

<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
03 10 00 Concrete Formwork	05.01.09	
03 20 00 Concrete Reinforcement	05.01.09	
03 30 00 Cast-In-Place Concrete	05.01.09	
03 35 00 Concrete Finishes	05.01.09	
03 54 00 Cast Underlayment	05.01.09	

Division 04 - Masonry

04 05 13 Masonry Mortaring	05.01.09	
04 05 23 Masonry Accessories	05.01.09	
04 20 00 Concrete Masonry Units	05.01.09	
04 21 13 Brick Masonry	05.01.09	

Division 05 - Metals


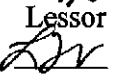
05 12 00 Structural Steel	05.01.09	
05 30 00 Metal Decking	05.01.09	
05 40 00 Cold Formed Metal Framing	05.01.09	
05 50 00 Metal Fabrications	05.01.09	
05 51 00 Metal Stairs	05.01.09	
05 51 33.23 Alternating Tread Steel Stairs	05.01.09	
05 52 13 Pipe and Tube Railings	05.01.09	
05 75 00 Decorative Formed Metal	05.01.09	

Division 06 - Wood and Plastics

06 10 00 Rough Carpentry	05.01.09	
06 19 20 Prefabricated Wood Trusses	05.01.09	
06 40 23 Interior Architectural Woodwork	05.01.09	
06 41 00 Architectural Wood Casework	05.01.09	

Division 07 - Thermal and Moisture Protection

07 11 00 Dampproofing	05.01.09	
07 14 00 Fluid Applied Waterproofing	05.01.09	
07 16 19 Metal Oxide Waterproofing	05.01.09	


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Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
07 21 00	Thermal Insulation	05.01.09	
07 26 00	Under Slab Vapor Retarder	05.01.09	
07 27 26	Fluid-Applied Membrane Air Barriers	05.01.09	
07 42 13	Metal Wall Panels	05.01.09	
07 54 19	Polyvinyl-Chloride (PVC) Roofing (Alternate Roofing System)	05.01.09	
07 60 00	Flashing and Sheet Metal	05.01.09	
07 65 00	Flexible Flashing	05.01.09	
07 72 33	Roof Hatches	05.01.09	
07 84 00	Firestopping	05.01.09	
07 92 00	Joint Sealants	05.01.09	

Division 08 - Doors and Windows

08 11 13	Hollow Metal Doors and Frames	05.01.09	
08 17 13	Integrated Metal Door Opening Assemblies	05.01.09	
08 17 23	Integrated Wood Door Opening Assemblies	05.01.09	
08 31 00	Access Doors and Frames	05.01.09	
08 41 00	Entrances and Storefronts	05.01.09	
08 53 13	Vinyl Windows	05.01.09	
08 54 13	Fiberglass Windows (Alternate Window)	05.01.09	
08 71 00	Door Hardware	05.01.09	
08 80 00	Glazing	05.01.09	
08 90 00	Metal Wall Louvers	05.01.09	

Division 09 - Finishes

09 29 00	Gypsum Board	05.01.09	
09 30 00	Tiling	05.01.09	
09 51 23	Acoustical Tile Ceilings	05.01.09	
09 65 13	Resilient Base and Accessories	05.01.09	
09 68 16	Sheet Carpeting	05.01.09	
09 91 00	Painting	05.01.09	

Division 10 - Specialties


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Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
10 44 16	Fire Extinguishers and Cabinets	05.01.09	
10 56 23	Wire Storage Shelving	05.01.09	
<u>Division 11 - Equipment</u>			
11 30 00	Residential Appliances	05.01.09	
<u>Division 12 - Furnishings</u>			
12 21 00	Window Blinds	05.01.09	
12 48 13	Entrance Mats & Grids	05.01.09	
<u>Division 14 - Conveying Systems</u>			
14 24 00	Hydraulic Elevators	05.01.09	
<u>Division 21 - Fire Protection</u>			
21 00 00	Fire Protection General	05.01.09	
21 30 00	Electric Fire Pump and Accessories	05.01.09	
<u>Division 22 - Plumbing</u>			
22 00 00	Plumbing General	05.01.09	
22 11 23	Domestic Water Pressure Booster System	05.01.09	
22 16 00	Natural Gas Piping System	05.01.09	
22 40 00	Plumbing Fixtures	05.01.09	
<u>Division 23 - HVAC</u>			
23 00 00	HVAC General	05.01.09	
23 05 93	Testing, Adjusting and Balancing (TAB)	05.01.09	
23 07 00	HVAC Insulation	05.01.09	
23 09 00	Automatic Controls	05.01.09	
23 09 20	Variable Frequency Drives (2 to 400 HP)	05.01.09	


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Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
23 21 13	Piping and Accessories	05.01.09	
23 21 13.13	Pre-Insulated Underground Piping System	05.01.09	
23 21 14	Water Specialties	05.01.09	
23 21 23	Pumps	05.01.09	
23 25 00	Water Treatment	05.01.09	
23 31 00	Ductwork and Accessories	05.01.09	
23 34 00	Unitary Exhaust and Supply Fans and Ventilators	05.01.09	
23 37 00	Louvers, Grilles, Registers and Diffusers	05.01.09	
23 38 00	Kitchen Ventilation Equipment	05.01.09	
23 64 26	Packaged Air-Cooled Water Chiller	05.01.09	
23 74 00	Single Package Air Conditioners	05.01.09	
23 74 33	100% Outside Air Rooftop Units	05.01.09	
23 81 26	Split System Air Conditioning	05.01.09	
23 81 26	Split System Heat Pumps	05.01.09	
23 82 19	Fan Coil Units	05.01.09	
23 82 39	Electric Unit Heaters	05.01.09	
23 82 39.19	Electric Wall Heaters	05.01.09	

Division 26 - Electrical

26 00 00	Electrical General	05.01.09	
26 05 19	Conductors	05.01.09	
26 05 26	Grounding	05.01.09	
26 05 30	Firestopping for Electrical Systems	05.01.09	
26 05 33	Conduit and Raceways	05.01.09	
26 05 34	Outlet Boxes and Junction Boxes	05.01.09	
26 05 35	Communications Conduit System	05.01.09	
26 09 23	Occupancy Sensors	05.01.09	
26 24 13	Switchboards	05.01.09	
26 24 16	Panelboards	05.01.09	
26 27 26	Wiring Devices	05.01.09	
26 28 16	Disconnect Switches	05.01.09	
26 51 00	Lighting	05.01.09	

Division 27 Communications


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Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
27 0100	General Requirements for Communications Systems	05.01.09	
27 0526	Grounding & Bonding for Communications Systems	05.01.09	
27 0528	Pathways for Communications Systems	05.01.09	
27 0553	Administration & Labeling	05.01.09	
27 0800	Communications Commissioning	05.01.09	
27 1100	Equipment Room Components	05.01.09	
27 1116	Communications Faceplates & Connectors	05.01.09	
27 1119	Communication System Termination Blocks & Patch Panels	05.01.09	
27 1123	Communications Cable Management & Telecom Room Ladder Rack	05.01.09	
27 1126	Communications Rack Mounted Power Strips	05.01.09	
27 1300	Communications Backbone Cabling	05.01.09	
27 1323	Communications Optical Fiber Backbone Cabling	05.01.09	
27 1343	CATV Distribution System	05.01.09	
27 1500	Copper Horizontal Cabling	05.01.09	
27 5000	Access Control & Security System	05.01.09	
27 5100	Video Surveillance Systems	05.01.09	

Division 28 – Electronic Safety and Security

28 31 11	Fire Alarm System	05.01.09	
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Division 31 - Earthwork

31 31 16	Termite Control	05.01.09	
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Division 32 - Exterior Improvements

32 31 00	Chain Link Fences and Gates	05.01.09	
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Division 33 - Utilities

33 46 00	Subdrainage	05.01.09	
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Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<i>General Project Information</i>			
G0.00	COVER	05.01.09	
G0.01	INDEX OF DRAWINGS	05.01.09	
G0.02	ABBREVIATIONS, LEGENDS & SYMBOLS	05.01.09	
G0.03	SITE SECTOR PLAN	05.01.09	

Civil

SEE SUITE STYLE HOUSING

Architectural

A0.01	BUILDING CODE REVIEW AND PROJECT INFORMATION	05.01.09	
A0.02	ADA	05.01.09	
A0.11	BASEMENT LEVEL LIFE SAFETY PLAN	05.01.09	
A0.12	LEVEL 1 LIFE SAFETY PLAN	05.01.09	
A0.20	UL ASSEMBLIES	05.01.09	
A1.00	OVERALL SITE PLAN	05.01.09	
A1.01	SLAB PLANS	05.01.09	
A1.10	BASEMENT LEVEL	05.01.09	
A1.11	LEVEL 1	05.01.09	
A1.12	ENLARGED PLANS AND INTERIOR ELEVATIONS	05.01.09	
A1.13	BATHS PLANS AND INTERIOR ELEVATIONS	05.01.09	
A1.20	ROOF PLAN	05.01.09	
	SEE INTERIOR DESIGN DRAWINGS FOR REFLECTED CEILING PLANS		
A3.11	EAST & NORTH ELEVATIONS	05.01.09	
A3.12	WEST & SOUTH ELEVATIONS	05.01.09	
A3.21	BUILDING SECTIONS DINING HALL	05.01.09	
A3.22	BUILDING SECTIONS DINING HALL	05.01.09	


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Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
A4.10	WALL SECTIONS	05.01.09	
A4.11	WALL SECTIONS	05.01.09	
A6.11	EXTERIOR DETAILS	05.01.09	
A6.12	EXTERIOR DETAILS	05.01.09	
A6.13	EXTERIOR DETAILS	05.01.09	
A6.31	TYPICAL ROOF DETAILS	05.01.09	
A6.32	TYPICAL ROOF DETAILS	05.01.09	
A7.11	STAIR PLANS & SECTIONS	05.01.09	
A7.12	STAIR PLANS & SECTIONS	05.01.09	
A7.13	STAIR PLANS & SECTIONS	05.01.09	
A7.14	STAIR DETAILS	05.01.09	
A7.20	ELEVATOR PLANS & SECTIONS	05.01.09	
A7.21	ELEVATOR PLANS & SECTIONS	05.01.09	
A8.10	DOOR SCHEDULE AND DETAILS	05.01.09	
A8.20	WINDOW SCHEDULE	05.01.09	
A8.21	WINDOW SCHEDULE & DETAILS	05.01.09	

Interior Drawings

ID1.11	Floor Plan Dining Hall – Terrace Level	05.01.09
ID1.12	Floor Plan Dining Hall – Level 1	05.01.09
ID2.11	Enlarged Floor Plans Dining Hall – Terrace Level	05.01.09
ID2.12	Enlarged Floor Plans Dining Hall – Level 1	05.01.09
ID3.11	Reflected Ceiling Plan Dining Hall – Terrace Level	05.01.09
ID3.12	Reflected Ceiling Plan Dining Hall – Level 1	05.01.09
ID4.11	Interior Elevations Dining Hall	05.01.09
ID5.11	Details Dining Hall	05.01.09
ID5.12	Details Dining Hall	05.01.09
ID8.0	Finish Schedule Dining Hall	05.01.09

Structural

S0.1	GENERAL NOTES	05/01/09
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	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
S0.2	TYPICAL SECTIONS	05/01/09	
S0.3	TYPICAL SECTIONS	05/01/09	
S1.1	SLAB AND FOUNDATION PLAN	05/01/09	
S2.1	1ST FLOOR & ROOF FRAMING PLAN	05/01/09	
S3.1	FOUNDATION SECTIONS AND DETAILS	05/01/09	
S3.2	FOUNDATION SECTIONS AND DETAILS	05/01/09	
S3.3	FOUNDATION SECTIONS AND DETAILS	05/01/09	
S3.4	FOUNDATION SECTIONS AND DETAILS	05/01/09	
S4.1	STEEL COLUMNS SCHEDULES & DETAILS	05/01/09	
S4.2	STEEL FRAMING SECTIONS AND DETAILS	05/01/09	
S4.3	BUILDINGS STEEL SECTIONS AND DETAILS	05/01/09	

Mechanical

M0.1	HVAC NOTES, SCHEDULES DRAWING INDEX	05/01/09	
M0.2	HVAC SCHEDULES, DETAILS & LEGEND	05/01/09	
M1.32	Building 300 Dining Hall HVAC	05/01/09	

Plumbing

P0.01	SYMBOLS, NOTES, LEGENDS, AND ABBREVIATIONS	05/01/09	
P0.02	SCHEDULES	05/01/09	
P0.03	DETAILS	05/01/09	
P0.04	S, W, & V RISER DIAGRAMS AND WATER RISER DIAGRAMS	05/01/09	
PI.32	Building 300 Dining Hall Level 2 – Plumbing Floor Plans Plumbing	05/01/09	

Electrical

E0.1	Electrical Abbreviations, Details, General Notes, Symbol Legend & Drawing Index	05/01/09	
E0.2	Electrical Riser Diagram Dining Hall	05/01/09	


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	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
E1.32A	Building 300 Dining Hall Level 2 – Lighting Floor Plans Electrical	05/01/09	
E1.32B	Building 300 Dining Hall Level 2 – Power Floor Plan Electrical	05/01/09	

Low Voltage

LV0.00	LEGEND & COVER SHEET	05.01.09	
LV1.00	SITE PLAN OVERALL REFERENCE	05.01.09	
LV1.01	SITE PLAN SPECIAL INTEREST HOUSING	05.01.09	
LV1.02	SITE PLAN OUTSIDE PLANT	05.01.09	
LV1.03	SITE PLAN RESIDENTS HALL AND DINING BUILDING	05.01.09	
LV2.11	DINING LEVEL 1 & T	05.01.09	
LV3.11	DINING BUILDING LEVEL1 MDF ROOM LARGE SCALES	05.01.09	
LV4.11	VOICE AND DATA INFRASTRUCTURE ONE-LINE DIAGRAM	05.01.09	
LV4.12	CATV AND GROUNDING SYSTEMS ONE-LINE DIAGRAM	05.01.09	
LV4.13	EMERGENCY NOTIFICATION ONE-LINE DIAGRAM	05.01.09	
LV4.14	ACCESS CONTROL SYSTEM ONE-LINE DIAGRAM	05.01.09	
LV4.15	VIDEO SURVEILLANCE ONE-LINE DIAGRAM	05.01.09	
LV4.16	VIDEO SURVEILLANCE ONE-LINE DIAGRAM	05.01.09	
LV4.17	VIDEO SURVEILLANCE ONE-LINE DIAGRAM	05.01.09	
LV5.11	DINING DETAILS	05.01.09	
LV5.12	DINING DETAILS	05.01.09	
LV5.13	DINING DETAILS	05.01.09	
LV5.14	DINING DETAILS	05.01.09	
LV5.15	DINING DETAILS	05.01.09	
LV5.16	DINING DETAILS	05.01.09	

Landscape

L0.0	SITE PLAN	05.01.09	
L1.0	REFERENCE PLAN	05.01.09	


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Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
L1.1	FINE GRADING AND LAYOUT PLAN	05.01.09	
L1.2	LIGHTING, MATERIALS AND FURNITURE PLAN	05.01.09	
L2.0	CONSTRUCTION DETAILS	05.01.09	
L2.1	CONSTRUCTION DETAILS	05.01.09	
L2.2	MATERIALS SCHEDULES	05.01.09	
L3.0	PLANTING PLAN	05.01.09	
L3.1	PLANTING DETAILS	05.01.09	

END OF DRAWING LIST



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Niles Bolton Associates Specification List

<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<u>Division 01 General Requirements</u>		
00 31 32.13	Subsurface Drilling & Sampling Information	05.01.09
	Report of Geotechnical Services For Student Housing Phase	02.19.09
	III Southern Polytechnic State University (SPSU) Marietta, Cobb County, Georgia	
00 61 13	Performance and Payment Bond	05.01.09
00 65 00	Contractor Warranty Form	05.01.09
00 65 36	Warranty Form	05.01.09
00 67 00	Subcontractor Warranty Form	05.01.09
00 70 00	General Contract Conditions	05.01.09
	AIA Document A201-1997 General Conditions of the Contract for Construction	03.24.09
00 73 00	Supplementary Conditions	05.01.09
00 90 00	Performance Bond	05.01.09
00 95 00	Payment Bond	05.01.09
00 96 00	Request for Substitution	05.01.09
01 10 00	Summary of Work	05.01.09
01 29 00	Payment Procedures	05.01.09
01 31 00	Project Management and Coordination	05.01.09
01 32 00	Construction Progress Documentation	05.01.09
01 32 23	Survey and Layout Data	05.01.09
01 32 33	Photographic Documentation	05.01.09
01 33 00	Submittal Procedures	05.01.09
01 35 20	LEED Requirements	05.01.09
01 40 00	Quality Requirements	05.01.09
01 45 23	Testing and Inspection Services	05.01.09
01 50 00	Construction Facilities and Temporary Controls	05.01.09
01 57 13	Temporary Erosion and Sediment Control	05.01.09
01 60 00	Product Requirements	05.01.09
01 65 00	Product Delivery Requirements	05.01.09
01 74 19	Construction Waste Management and Disposal	05.01.09
01 78 00	Closeout Procedures	05.01.09

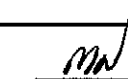


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<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<u>Division 03 Concrete</u>		
03 01 00 Concrete Testing	05.01.09	
03 10 00 Concrete Formwork	05.01.09	
03 20 00 Concrete Reinforcement	05.01.09	
03 30 00 Cast-In-Place Concrete	05.01.09	
03 35 00 Concrete Finishes	05.01.09	
<u>Division 04 - Masonry</u>		
04 05 13 Masonry Mortaring	05.01.09	
04 05 23 Masonry Accessories	05.01.09	
04 20 00 Concrete Masonry Units	05.01.09	
04 21 13 Brick Masonry	05.01.09	
<u>Division 05 - Metals</u>		
05 12 00 Structural Steel	05.01.09	
05 20 00 Metal Joists	05.01.09	
05 30 00 Metal Decking	05.01.09	
05 40 00 Cold-Formed Metal Framing	05.01.09	
05 50 00 Metal Fabrications	05.01.09	
05 51 00 Metal Stairs	05.01.09	
05 51 33.23 Alternating Tread Steel Stairs	05.01.09	
05 52 13 Pipe and Tube Railings	05.01.09	
05 75 00 Decorative Formed Metal		
<u>Division 06 - Wood and Plastics</u>		
06 10 00 Rough Carpentry	05.01.09	
06 41 00 Architectural Wood Casework	05.01.09	
<u>Division 07 - Thermal and Moisture Protection</u>		


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	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
07 11 00	Dampproofing	05.01.09	
07 14 00	Fluid Applied Waterproofing	05.01.09	
07 16 19	Metal Oxide Waterproofing	05.01.09	
07 21 00	Thermal Insulation	05.01.09	
07 21 29	Sprayed Insulation	05.01.09	
07 26 00	Under Slab Vapor Retarder	05.01.09	
07 27 26	Fluid-Applied Membrane Air Barriers	05.01.09	
07 42 13	Metal Wall Panels	05.01.09	
07 54 19	Polyvinyl-Chloride (PVC) Roofing (Alternate Roofing System)	05.01.09	
07 60 00	Flashing and Sheet Metal	05.01.09	
07 65 00	Flexible Flashing	05.01.09	
07 72 33	Roof Hatches	05.01.09	
07 84 00	Firestopping	05.01.09	
07 92 00	Joint Sealants	05.01.09	

Division 08 - Doors and Windows

08 11 13	Hollow Metal Doors and Frames	05.01.09	
08 17 23	Integrated Wood Door Opening Assemblies	05.01.09	
08 31 00	Access Doors and Frames	05.01.09	
08 41 00	Entrances and Storefronts	05.01.09	
08 44 13	Glazed Aluminum Curtain Walls	05.01.09	
08 71 00	Door Hardware	05.01.09	
08 80 00	Glazing	05.01.09	
08 90 00	Metal Wall Louvers	05.01.09	

Division 09 - Finishes

09 29 00	Gypsum Board	05.01.09	
09 30 00	Tiling	05.01.09	
09 51 23	Acoustical Tile Ceilings	05.01.09	
09 65 13	Resilient Base and Accessories	05.01.09	
09 68 16	Sheet Carpeting	05.01.09	
09 91 00	Painting	05.01.09	

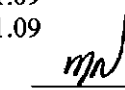

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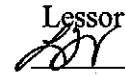
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<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<u>Division 10 - Specialties</u>		
10 21 13 Toilet Compartments	05.01.09	
10 44 16 Fire Extinguishers and Cabinets	05.01.09	
10 51 13 Metal Lockers	05.01.09	
10 56 23 Wire Storage Shelving	05.01.09	
<u>Division 11 - Equipment</u>		
11 13 00 Loading Dock Equipment	05.01.09	
11 40 00 Foodservice Equipment	05.01.09	
11 41 00 Food Storage Equipment	05.01.09	
11 82 26 Facility Waste Compactors	05.01.09	
<u>Division 12 - Furnishings</u>		
12 48 13 Entrance Mats & Grids	05.01.09	
<u>Division 14 - Conveying Systems</u>		
14 24 00 Hydraulic Elevators	05.01.09	
<u>Division 21 - Fire Protection</u>		
21 00 00 Fire Protection General	05.01.09	
21 30 00 Electric Fire Pump and Accessories	05.01.09	
<u>Division 22 - Plumbing</u>		
22 00 00 Plumbing General	05.01.09	
22 16 00 Natural Gas Piping System	05.01.09	
22 40 00 Plumbing Fixtures	05.01.09	



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<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<i>Division 23 - HVAC</i>		
23 00 00	HVAC General	05.01.09
23 31 00	Ductwork and Accessories	05.01.09
23 34 00	Unitary Exhaust and Supply Fans and Ventilators	05.01.09
23 37 00	Louvers, Grilles, Registers and Diffusers	05.01.09
23 38 00	Kitchen Ventilation Equipment	05.01.09
23 74 01	Packaged Rooftop Heating and Ventilating Units	05.01.09
23 82 39.19	Electric Wall Heaters	05.01.09
<i>Division 26 - Electrical</i>		
26 00 00	Electrical General	05.01.09
26 05 19	Conductors	05.01.09
26 05 26	Grounding	05.01.09
26 05 30	Firestopping for Electrical Systems	05.01.09
26 05 33	Conduit and Raceways	05.01.09
26 05 34	Outlet Boxes and Junction Boxes	05.01.09
26 05 35	Communications Conduit System	05.01.09
26 09 23	Occupancy Sensors	05.01.09
26 24 13	Switchboards	05.01.09
26 24 16	Panelboards	05.01.09
26 27 26	Wiring Devices	05.01.09
26 28 16	Disconnect Switches	05.01.09
26 51 00	Lighting	05.01.09
<i>Division 27 Communications</i>		
27 0100	General Requirements for Communications Systems	05.01.09
27 0526	Grounding & Bonding for Communications Systems	05.01.09
27 0528	Pathways for Communications Systems	05.01.09
27 0553	Administration & Labeling	05.01.09
27 0800	Communications Commissioning	05.01.09
27 1100	Equipment Room Components	05.01.09
27 1116	Communications Faceplates & Connectors	05.01.09



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Exhibit C**

Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
27 1119	Communications System Termination Blocks & Patch Panels	05.01.09	
27 1123	Communications Cable Management & Telecom Room Ladder Rack	05.01.09	
27 1126	Communications Rack Mounted Power Strips	05.01.09	
27 1300	Communications Backbone Cabling	05.01.09	
27 1323	Communications Optical Fiber Backbone Cabling	05.01.09	
27 1343	CATV Distribution System	05.01.09	
27 1500	Copper Horizontal Cabling	05.01.09	
27 5000	Access Control & Security System	05.01.09	
27 5100	Video Surveillance Systems	05.01.09	

Division 28 – Electronic Safety and Security

28 31 11	Fire Alarm System	05.01.09	
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Division 31 - Earthwork


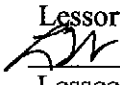
31 31 16	Termite Control	05.01.09	
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Division 32 - Exterior Improvements

32 31 00	Chain Link Fences and Gates	05.01.09	
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Division 33 - Utilities

33 46 00	Subdrainage	05.01.09	
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 Lessor

 Lessee

**SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C**

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
S4.3	STEEL COLUMN SCHEDULE SECTIONS AND DETAILS	05/01/09	
S5.1	METAL WALL SCHEDULE AND DETAILS	05/01/09	
S5.2	METAL WALL SCHEDULE AND DETAILS	05/01/09	
S5.3	METAL WALL SCHEDULE AND DETAILS	05/01/09	
S6.1	WOOD FRAMING SECTIONS AND DETAILS	05/01/09	
S6.2	WOOD FRAMING SECTIONS AND DETAILS	05/01/09	
S6.3	WOOD FRAMING SECTIONS AND DETAILS	05/01/09	
S7.1	STUD WALL SCHEDULE AND DETAILS	05/01/09	
S7.2	SHEAR WALL SCHEDULE AND DETAILS	05/01/09	

Mechanical

M0.1	HVAC NOTES, SCHEDULES DRAWING INDEX	05/01/09	
M0.2	HVAC SCHEDULES LEGENDS	05/01/09	
M0.3	HVAC DETAILS 1 OF 2	05/01/09	
M0.4	HVAC DETAILS 2 OF 2	05/01/09	
M0.5	RISER DIAGRAM HVAC	05/01/09	
M0.6	SITE PLAN HVAC	05/01/09	
M0.7	HVAC OUTDOOR AIR CALCULATION	05/01/09	
M1.12A	BUILDING 100 BASEMENT FL HVAC PLAN	05/01/09	
M1.12	BUILDING 100 BASEMENT FLOOR HVAC PLAN	05/01/09	
M1.13	BUILDING 100 LEVEL 1 HVAC PLAN	05/01/09	
M1.13A	BUILDING 100 LEVEL 1 & 2 PARTIAL OF HVAC PLAN	05/01/09	
M1.14	BUILDING 100 LEVEL 2 HVAC PLAN	05/01/09	
M1.15	BUILDING 100 LEVEL 3 HVAC PLAN	05/01/09	
M1.16	BUILDING 100 LEVEL 4 HVAC PLAN	05/01/09	
M1.17	BUILDING 100 ROOF LEVEL HVAC PLAN	05/01/09	
M1.22A	BUILDING 200 PART OF BASEMENT HVAC PLAN	05/01/09	
M1.22	BUILDING 200 BASEMENT FLOOR HVAC PLAN	05/01/09	
M1.23	BUILDING 200 LEVEL 1 HVAC PLAN	05/01/09	
M1.23A	BUILDING 200 LEVEL 1 & 2 PART OF HVAC PLAN	05/01/09	
M1.24	BUILDING 200 LEVEL 2 HVAC PLAN	05/01/09	


 Lessor

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**SPSU Student Housing III – Suite Style Housing
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	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
M1.25	BUILDING 200 LEVEL 3 HVAC PLAN	05/01/09	
M1.26	BUILDING 200 LEVEL 4 HVAC PLAN	05/01/09	
M1.27	BUILDING 200 ROOF HVAC PLAN	05/01/09	
M5.01	UNIT TYPE B1, B1_HC & B1_W FLOOR PLAN HVAC	05/01/09	
M5.02	UNIT TYPE B2, B2_C, B2_CW, B2_END, B2_ENDS & B2_ENDW FLOOR PLAN HVAC	05/01/09	
M5.03	UNIT TYPE B2_HC, B2_HCW, B2_LOB, & B2W FLOOR PLAN HVAC	05/01/09	

Plumbing

P0.01	SYMBOLS, NOTES, LEGENDS AND ABBREVIATIONS	05/01/09	
P0.02	SCHEDULES	05/01/09	
P0.03	DETAILS	05/01/09	
P0.04	S, W, & V RISER DIAGRAMS AND WATER RISER DIAGRAMS	05/01/09	
P0.05	S, W, & V RISER DIAGRAMS AND WATER RISER DIAGRAMS	05/01/09	
P1.12	BUILDING 100 BASEMENT FLOOR PLAN PLUMBING	05/01/09	
P1.13	BUILDING 100 LEVEL 1 FLOOR PLAN PLUMBING	05/01/09	
P1.13A	BUILDING 100 LEVEL 1 FLOOR PLAN WATER PLAN	05/01/09	
P1.14	BUILDING 100 LEVEL 2 FLOOR PLAN PLUMBING	05/01/09	
P1.15	BUILDING 100 LEVEL 3 FLOOR PLAN PLUMBING	05/01/09	
P1.16	BUILDING 100 LEVEL 4 FLOOR PLAN PLUMBING	05/01/09	
P1.17	BUILDING 100 ROOF PLAN PLUMBING	05/01/09	
P1.22	BUILDING 200 BASEMENT FLOOR PLAN PLUMBING	05/01/09	
P1.23	BUILDING 200 LEVEL 1 FLOOR PLAN PLUMBING	05/01/09	
P1.23A	BUILDING 200 LEVEL 1 FLOOR PLAN WATER PLAN	05/01/09	
P1.24	BUILDING 200 LEVEL 2 FLOOR PLAN PLUMBING	05/01/09	
P1.25	BUILDING 200 LEVEL 3 FLOOR PLAN PLUMBING	05/01/09	
P1.26	BUILDING 200 LEVEL 4 FLOOR PLAN PLUMBING	05/01/09	
P1.27	BUILDING 200 ROOF PLAN PLUMBING	05/01/09	


 Lessor

 Lessee

**SPSU Student Housing III – Suite Style Housing
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Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
P5.01	UNIT TYPE B1, B1_HC & B1_W FLOOR PLANS – PLUMBING	05/01/09	
P5.02A	UNIT TYPE B2, B2_C, B2_CW, B2_END, B2_ENDS & B2_ENDW FLOOR PLANS – S.W.&V.	05/01/09	
P5.02B	UNIT TYPE B2, B2_C, B2_CW, B2_END, B2_ENDS & B2_ENDW FLOOR PLANS – WATER	05/01/09	
P5.03A	UNIT TYPE B2_HC, B2_HCW, B2_LOB & B2W FLOOR PLANS – S.W.&V.	05/01/09	
P5.03B	UNIT TYPE B2_HC, B2_HCW, B2_LOB & B2W FLOOR PLANS – WATER	05/01/09	

Electrical

E0.1	Electrical Abbreviations, Details, General Notes, Symbol Legend & Drawing Index	05/01/09	
E0.2	EI Notes, Symbol Legend & Drawing Index	05/01/09	
E0.3	Electrical Riser Diagrams Building 100	05/01/09	
E0.4	Electrical Panel Schedules Building 100	05/01/09	
E0.5	Electrical Riser Diagrams Building 200	05/01/09	
E0.6	Electrical Panel Schedules Building 200	05/01/09	
E1.12	Building 100 Basement Floor Plan Electrical	05/01/09	
E1.13	Building 100 Level 1 Floor Plan Electrical	05/01/09	
E1.14	Building 100 Level 2 Floor Plan Electrical	05/01/09	
E1.15	Building 100 Level 3 Floor Plan Electrical	05/01/09	
E1.16	Building 100 Level 4 Floor Plan Electrical	05/01/09	
E1.17	Building 100 Roof Plan Electrical	05/01/09	
E1.22	Building 200 Basement Floor Plan Electrical	05/01/09	
E1.23	Building 200 Level 1 Floor Plan Electrical	05/01/09	
E1.24	Building 200 Level 2 Floor Plan Electrical	05/01/09	
E1.25	Building 200 Level 3 Floor Plan Electrical	05/01/09	
E1.26	Building 200 Level 4 Floor Plan Electrical	05/01/09	
E1.27	Building 200 Roof Plan Electrical	05/01/09	
E5.01	UNIT TYPE B1, B1-HC & B1-W FLOOR PLANS ELECTRICAL	05/01/09	


 Lessor

 Lessee

**SPSU Student Housing III – Suite Style Housing
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Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
E5.02	UNIT TYPE B2, B2C, B2CW, B2END & B2ENDS FLOOR PLANS – ELECTRICAL	05/01/09	
E5.03	UNIT TYPE B2_HC, B2_HCW, B2_LOB, B2_W & B2_ENDW FLOOR PLANS – ELECTRICAL	05/01/09	
E5.04	UNIT TYPE RM FLOOR PLAN ELECTRICAL	05/01/09	
P5.03B	UNIT TYPE B2_HC, B2_HCW, B2_LOB, & B2W FLOOR PLANS - WATER	05/01/09	

Low Voltage

LV0.00	INSERT	05.01.09	
LV1.00	SITE PLAN OVERALL REFERENCE	05.01.09	
LV1.01	SITE PLAN SPECIAL INTEREST HOUSING	05.01.09	
LV1.02	SITE PLAN OUTSIDE PLANT	05.01.09	
LV1.03	SITE PLAN RESIDENTS HALL AND DINING BUILDING	05.01.09	
LV2.11	BUILDING 100 LEVEL T	05.01.09	
LV2.12	BUILDING 100 LEVEL 1	05.01.09	
LV2.13	BUILDING 100 LEVEL 2	05.01.09	
LV2.14	BUILDING 100 LEVEL 3	05.01.09	
LV2.15	BUILDING 100 LEVEL 4	05.01.09	
LV2.21	BUILDING 200 LEVEL T	05.01.09	
LV2.22	BUILDING 200 LEVEL 1	05.01.09	
LV2.23	BUILDING 200 LEVEL 2	05.01.09	
LV2.24	BUILDING 200 LEVEL 3	05.01.09	
LV2.25	BUILDING 200 LEVEL 4	05.01.09	
LV2.31	TELECOM LAYOUT UNITS	05.01.09	
LV2.32	TELECOM LAYOUT UNITS	05.01.09	
LV3.11	BUILDING 100 LEVEL 1	05.01.09	
LV3.21	BUILDING 200 LEVEL 1	05.01.09	
LV4.11	VOICE AND DATA INFRASTRUCTURE ONE-LINE DIAGRAM	05.01.09	


 Lessor

 Lessee

**SPSU Student Housing III – Suite Style Housing
Plans and Specifications
Exhibit C**

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
LV4.12	CATV AND GROUNDING SYSTEMS ONE-LINE DIAGRAM	05.01.09	
LV4.13	EMERGENCY NOTIFICATION ONE-LINE DIAGRAM	05.01.09	
LV4.14	ACCESS CONTROL SYSTEM ONE-LINE DIAGRAM	05.01.09	
LV4.15	VIDEO SURVEILLANCE ONE-LINE DIAGRAM	05.01.09	
LV4.16	VIDEO SURVEILLANCE ONE-LINE DIAGRAM	05.01.09	
LV4.17	VIDEO SURVEILLANCE ONE-LINE DIAGRAM	05.01.09	
LV5.11	SUITES DETAILS	05.01.09	
LV5.12	SUITES DETAILS	05.01.09	
LV5.13	SUITES DETAILS	05.01.09	
LV5.14	SUITES DETAILS	05.01.09	
LV5.15	SUITES DETAILS	05.01.09	
LV5.16	SUITES DETAILS	05.01.09	

Landscape

L0.0	SITE PLAN	05.01.09	
L1.0	REFERENCE AND LAYOUT PLAN	05.01.09	
L1.0A	REFERENCE AND LAYOUT BLOW UP PLAN	05.01.09	
L1.1	LIGHTING, MATERIALS AND FURNITURE PLAN	05.01.09	
L1.2	REFERENCE AND LAYOUT PLAN	05.01.09	
L1.3	LIGHTING, MATERIALS AND FURNITURE PLAN	05.01.09	
L2.0	CONSTRUCTION DETAILS	05.01.09	
L2.1	CONSTRUCTION DETAILS	05.01.09	
L2.2	MATERIALS SCHEDULE	05.01.09	
L3.0	OVERALL PLANTING PLAN	05.01.09	
L3.1	PLANTING PLAN	05.01.09	
L3.2	PLANTING PLAN	05.01.09	
L3.3	PLANTING PLAN	05.01.09	
L3.4	PLANTING PLAN	05.01.09	
L3.5	PLANTING SCHEDULE	05.01.09	
L3.6	PLANTING DETAILS	05.01.09	

END OF DRAWING LIST


 Lessor

 Lessee

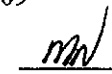

**SPSU Student Housing III – Suite Style Housing
 Plans and Specifications
 Exhibit C**

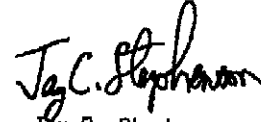
Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<u>Division 01 General Requirements</u>			
00 31 32.13	Subsurface Drilling & Sampling Information	05.01.09	
	Report of Geotechnical Services For Student Housing Phase III Southern Polytechnic State University (SPSU) Marietta, Cobb County, Georgia	02.19.09	
00 61 13	Performance and Payment Bond	05.01.09	
00 65 00	Contractor Warranty Form	05.01.09	
00 65 36	Warranty Form	05.01.09	
00 67 00	Subcontractor Warranty Form	05.01.09	
00 70 00	General Contract Conditions	05.01.09	
	AIA Document A201-1997 General Conditions of the Contract for Construction	03.24.09	
00 73 00	Supplementary Conditions	05.01.09	
00 90 00	Performance Bond	05.01.09	
00 95 00	Payment Bond	05.01.09	
00 96 00	Request for Substitution	05.01.09	
01 10 00	Summary of Work	05.01.09	
01 29 00	Payment Procedures	05.01.09	
01 31 00	Project Management and Coordination	05.01.09	
01 32 00	Construction Progress Documentation	05.01.09	
01 32 23	Survey and Layout Data	05.01.09	
01 32 33	Photographic Documentation	05.01.09	
01 33 00	Submittal Procedures	05.01.09	
01 35 20	LEED Requirements	05.01.09	
01 40 00	Quality Requirements	05.01.09	
01 45 23	Testing and Inspection Services	05.01.09	
01 50 00	Construction Facilities and Temporary Controls	05.01.09	
01 57 13	Temporary Erosion and Sediment Control	05.01.09	
01 60 00	Product Requirements	05.01.09	
01 65 00	Product Delivery Requirements	05.01.09	
01 74 19	Construction Waste Management and Disposal	05.01.09	
01 78 00	Closeout Procedures	05.01.09	

Division 03 Concrete

03 01 00	Concrete Testing	05.01.09
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 Lessor

 Lessee



Jay C. Stephenson
Clerk of Superior Court Cobb Cty. Ga.

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87

PLEASE RECORD AND RETURN TO:

DEBORAH M. BRANDON
FIRST AMERICAN TITLE INSURANCE COMPANY
NATIONAL COMMERCIAL SERVICES
5607 GLENRIDGE DRIVE, SUITE 275
ATLANTA, GEORGIA 30342
FILE NO.: NCS 394900

SOUTHERN POLYTECHNIC STATE UNIVERSITY STUDENT HOUSING
GROUND LEASE

BY AND BETWEEN

THE BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA

AND

USG REAL ESTATE FOUNDATION II, LLC

DATED AS OF JULY 23, 2009

No. 2 of 2 Executed Original Counterparts.

COUNTERPART OF LESSEE

STATE OF GEORGIA;
COUNTY OF FULTON:

**SOUTHERN POLYTECHNIC STATE UNIVERSITY
STUDENT HOUSING GROUND LEASE**

THIS GROUND LEASE (hereinafter referred to as the "Ground Lease" or "Lease") is made and entered this 23rd day of July, 2009, 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 II, LLC, whose address for purposes of this Lease is 270 Washington Street, S.W. Atlanta, Georgia 30334, hereinafter referred to as "Lessee"), for the use of certain real property located on the campus of Southern Polytechnic State University, a unit of the University System of Georgia (hereinafter referred to as "Institution").

WITNESSETH THAT:

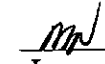
WHEREAS, Lessor is the owner of certain real property consisting of approximately 3.605 acres and 0.136 acres situated in the City of Marietta, Cobb County, Georgia, located on the campus of the Institution (hereinafter referred to as the "Premises"), more particularly described in the first portion 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 June 10, 2009, 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, equipping and maintaining special interest student housing facilities containing approximately 120 student housing beds and site amenities; 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, equipping and maintaining special interest student housing facilities containing approximately 120 student housing beds and site amenities 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, equipping and maintaining special interest student housing facilities containing approximately 120 student housing beds and site amenities (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 constructing, 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.



Lessor


Lessee

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 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 August 1, 2010, and ending at 11:59 o'clock P.M. prevailing legal time in Atlanta, Georgia, on June 30, 2039, 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.

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



Lessor


Lessee

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.



Lessor


Lessee

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 special interest student housing facilities containing approximately 120 student housing beds and site amenities. 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 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.



Lessor


Lessee

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 lender'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.

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



Lessor


Lessee

(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:

- (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).

7


 Lessor

 Lessee

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:



Lessor


Lessee

“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:

<i>Coverage</i>	<i>Limit</i>
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 *
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.



 Lessor


 Lessee

- (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.



Lessor


Lessee

(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 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.



Lessor


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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 untenable 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.


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.

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Lessor


Lessee

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 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



Lessor


Lessee

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.

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


Lessee

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.

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.

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Lessor
RJY
Lessee

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 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]

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Lessor


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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: Linda M. Daniels L.S.
LINDA M. DANIELS
Vice Chancellor

Attest: James Burns Newsome L.S.
JAMES BURNS NEWSOME
Secretary to the Board

(Seal Affixed Here)

Signed, sealed and delivered as to
Lessor in the presence of:

[Signature]
Unofficial Witness

[Signature]
Official Witness, Notary Public



My Commission Expires: APRIL 10, 2011

APPROVAL OF INSTITUTION:

By: Lisa A. Rossbach
President

[SIGNATURES CONTINUED NEXT PAGE]

[Signature]
Lessor
[Signature]
Lessee

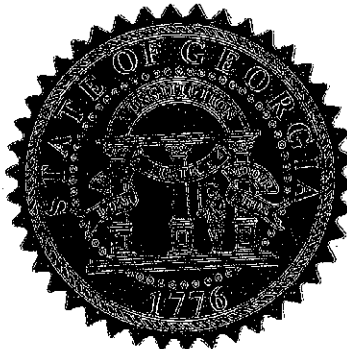
[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

APPROVED:

By: Sonny Perdue
SONNY PERDUE
Governor

Attest: Karen C Handel
KAREN C. HANDEL
Secretary of State

(Great Seal of the State of Georgia)

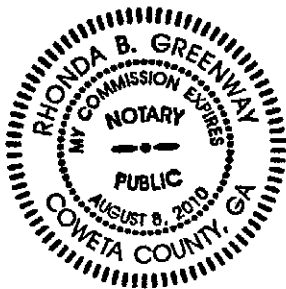


Signed, sealed and delivered as to
Governor in the presence of:

Mattie Dunham
Unofficial Witness

Renee D. Greenway
Official Witness, Notary Public

My Commission Expires: Aug 8, 2010



[SIGNATURES CONTINUED NEXT PAGE]

MN
Lessor
BN
Lessee

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

LESSEE:

**USG REAL ESTATE FOUNDATION II,
LLC, a Georgia limited liability company**

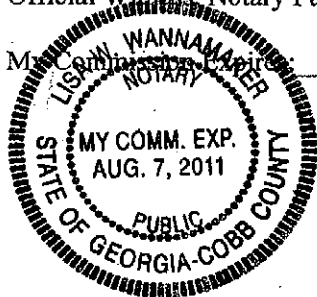
By: USGREF Manager, LLC, a Georgia
limited liability company, its
Manager

By: *Frank P. Rose* L.S.
Authorized Representative

Signed, sealed and delivered as to
Lessee in the presence of:

Mary Margaret Kinnis
Unofficial Witness

Lisa H. Wannamaker
Official Witness Notary Public



mm
Lessor
FR
Lessee

Exhibit "A"
Cobb County – Southern Polytechnic State University

Ground Lease Site
Special Interest Housing

All that tract or parcel of land lying and being in Land Lot 435, 17th District, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to Land Lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to Land Lots 436 and 501, South 00 degrees 50 minutes 40 seconds West a distance of 879.69 feet to a point; Thence South 61 degrees 06 minutes 40 seconds West a distance of 227.33 feet to a point located on the northeastern right-of-way of South Cobb Drive; Thence along said right-of-way along a curve to the left with an arc length of 1342.57 feet, said curve having a radius of 2945.39 feet, with a chord distance of 1330.98 feet, at North 41 degrees 58 minutes 48 seconds West, to a point located at the intersection of said right-of-way with the Land Lot Line common to Land Lots 435 and 436; Thence leaving said right-of-way South 87 degrees 24 minutes 24 seconds East a distance of 53.24 feet to a point; Thence North 02 degrees 39 minutes 44 seconds East a distance of 39.08 feet to a point; Thence North 19 degrees 16 minutes 43 seconds East a distance of 74.70 feet to a point; Thence North 01 degrees 36 minutes 30 seconds West a distance of 37.63 feet to a point; Thence North 71 degrees 28 minutes 56 seconds East a distance of 41.42 feet to a point; Thence North 22 degrees 23 minutes 50 seconds West a distance of 337.93 feet to a point; Thence North 67 degrees 38 minutes 09 seconds East a distance of 26.31 feet to a 5/8" rebar set; Said 5/8" rebar set being the **TRUE POINT OF BEGINNING**. Thence North 67 degrees 38 minutes 09 seconds East a distance of 86.70 feet to a 5/8" rebar set; Thence along a curve to the left with an arc length of 295.17 feet, said curve having a radius of 312.74 feet, with a chord distance of 284.33 feet, at North 41 degrees 40 minutes 49 seconds East, to a 5/8" rebar set; Thence South 74 degrees 15 minutes 31 seconds East a distance of 63.94 feet to a 5/8" rebar set; Thence South 55 degrees 51 minutes 05 seconds East a distance of 127.28 feet to a 5/8" rebar set; Thence South 21 degrees 59 minutes 37 seconds East a distance of 314.25 feet to a 5/8" rebar set; Thence South 20 degrees 52 minutes 05 seconds West a distance of 40.27 feet to a 5/8" rebar set; Thence South 68 degrees 00 minutes 23 seconds West a distance of 140.93 feet to a 5/8" rebar set; Thence North 74 degrees 13 minutes 52 seconds West a distance of 215.12 feet to a 5/8" rebar set; Thence South 67 degrees 46 minutes 17 seconds West a distance of 123.81 feet to a 5/8" rebar set; Thence North 22 degrees 11 minutes 53 seconds West a distance of 230.71 feet to a 5/8" rebar set; Said 5/8" rebar set being the **TRUE POINT OF BEGINNING**.

Said tract of land contains 3.605 acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No. 3042, dated February 16, 2009 and last revised on July 21, 2009.

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 Lessor

 Lessee

Exhibit "A"
Cobb County – Southern Polytechnic State University

Ground Lease Site II
Special Interest Housing

All that tract or parcel of land lying and being in Land Lot 435, 17th District, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to Land Lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to Land Lots 436 and 501, South 00 degrees 50 minutes 40 seconds West a distance of 879.69 feet to a point; Thence South 61 degrees 06 minutes 40 seconds West a distance of 227.33 feet to a point located on the northeastern right-of-way of South Cobb Drive; Thence along said right-of-way along a curve to the left with an arc length of 1342.57 feet, said curve having a radius of 2945.39 feet, with a chord distance of 1330.98 feet, at North 41 degrees 58 minutes 48 seconds West, to a point located at the intersection of said right-of-way with the Land Lot Line common to Land Lots 435 and 436; Thence leaving said right-of-way South 87 degrees 24 minutes 24 seconds East a distance of 53.24 feet to a point; Thence North 42 degrees 36 minutes 03 seconds East a distance of 35.61 feet to a 5/8" rebar set; Said 5/8" rebar set being the **TRUE POINT OF BEGINNING**. Thence North 07 degrees 55 minutes 05 seconds East a distance of 73.91 feet to a 5/8" rebar set; Thence South 82 degrees 04 minutes 55 seconds East a distance of 80.35 feet to a 5/8" rebar set; Thence South 07 degrees 55 minutes 05 seconds West a distance of 73.91 feet to a 5/8" rebar set; Thence North 82 degrees 04 minutes 55 seconds West a distance of 80.35 feet to a 5/8" rebar set; Said 5/8" rebar set being the **TRUE POINT OF BEGINNING**.

Said tract of land contains 0.136 acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No. 3042, dated February 16, 2009 and last revised on July 21, 2009.

Special Interest Housing

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 Limits

All that tract or parcel of land lying and being in Land Lots 435 and 436, 17th District, Cobb County, Georgia, and being more particularly described as follows:

Commencing at a 5/8" rebar set at the Land Lot Corner common to land lots 435, 436, 501 and 502, said 5/8" rebar set having Georgia State Plane Coordinates (West Zone) of N: 1431269.9582, E: 2188708.6331; Thence along the Land Lot line common to land lots 436 and 501, South 00 degrees 50 minutes 40 seconds West a distance of 879.69 feet to a point; Thence South 61 degrees 06 minutes 40 seconds West a distance of 227.33 feet to a point located on the northeastern right-of-way of South Cobb Drive; Thence along said right-of-way along a curve to the left with an arc length of 1342.57 feet, said curve having a radius of 2945.39 feet, with a chord distance of 1330.98 feet, at North 41 degrees 58 minutes 48 seconds West, to a point located at the intersection of said right-of-way with the Land Lot Line common to land lots 435 and 436; Thence leaving said right-of-way South 87 degrees 24 minutes 24 seconds


Lessor

Lessee

Exhibit "A"
Cobb County – Southern Polytechnic State University

East a distance of 53.24 feet to a point, said point being the **TRUE POINT OF BEGINNING**. Thence North 02 degrees 39 minutes 44 seconds East a distance of 39.08 feet to a point; Thence North 19 degrees 16 minutes 43 seconds East a distance of 74.70 feet to a point; Thence North 01 degrees 36 minutes 30 seconds West a distance of 37.63 feet to a point; Thence North 71 degrees 28 minutes 56 seconds East a distance of 41.42 feet to a point; Thence North 22 degrees 23 minutes 50 seconds West a distance of 337.93 feet to a point; Thence North 67 degrees 38 minutes 09 seconds East a distance of 26.31 feet to a point; Thence North 67 degrees 38 minutes 09 seconds East a distance of 86.70 feet to a point; Thence along a curve to the left with an arc length of 283.90 feet, said curve having a radius of 312.74 feet, with a chord distance of 274.25 feet, at North 42 degrees 42 minutes 45 seconds East, to a point; Thence South 65 degrees 43 minutes 19 seconds East a distance of 26.63 feet to a point; Thence North 74 degrees 54 minutes 19 seconds East a distance of 29.68 feet to a point; Thence South 74 degrees 15 minutes 31 seconds East a distance of 12.11 feet to a point; Thence South 02 degrees 13 minutes 58 seconds East a distance of 14.98 feet to a point; Thence along a curve to the left with an arc length of 7.08 feet, said curve having a radius of 10.00 feet, with a chord distance of 6.93 feet, at South 22 degrees 31 minutes 10 seconds East, to a point; Thence South 42 degrees 48 minutes 23 seconds East a distance of 5.15 feet to a point; Thence along a curve to the left with an arc length of 3.95 feet, said curve having a radius of 10.00 feet, with a chord distance of 3.92 feet, at South 54 degrees 06 minutes 53 seconds East, to a point; Thence South 65 degrees 25 minutes 22 seconds East a distance of 25.28 feet to a point; Thence along a curve to the right with an arc length of 4.98 feet, said curve having a radius of 10.00 feet, with a chord distance of 4.93 feet, at South 51 degrees 09 minutes 49 seconds East, to a point; Thence South 36 degrees 54 minutes 15 seconds East a distance of 11.35 feet to a point; Thence along a curve to the left with an arc length of 6.18 feet, said curve having a radius of 10.00 feet, with a chord distance of 6.08 feet, at South 54 degrees 35 minutes 58 seconds East, to a point; Thence South 72 degrees 17 minutes 41 seconds East a distance of 27.03 feet to a point; Thence South 62 degrees 29 minutes 44 seconds East a distance of 33.08 feet to a point; Thence along a curve to the right with an arc length of 7.95 feet, said curve having a radius of 10.00 feet, with a chord distance of 7.74 feet, at South 39 degrees 43 minutes 58 seconds East, to a point; Thence South 16 degrees 58 minutes 12 seconds East a distance of 56.63 feet to a point; Thence South 20 degrees 18 minutes 45 seconds East a distance of 165.07 feet to a point; Thence South 21 degrees 59 minutes 37 seconds East a distance of 74.75 feet to a point; Thence South 53 degrees 50 minutes 36 seconds East a distance of 110.40 feet to a point; Thence South 11 degrees 37 minutes 44 seconds East a distance of 108.80 feet to a point; Thence North 82 degrees 47 minutes 55 seconds West a distance of 79.06 feet to a point; Thence North 64 degrees 25 minutes 17 seconds West a distance of 72.53 feet to a point; Thence North 77 degrees 05 minutes 01 seconds West a distance of 128.92 feet to a point; Thence North 83 degrees 07 minutes 04 seconds West a distance of 50.16 feet to a point; Thence North 25 degrees 24 minutes 31 seconds West a distance of 23.78 feet to a point; Thence North 68 degrees 19 minutes 12 seconds West a distance of 100.45 feet to a point; Thence North 87 degrees 54 minutes 08 seconds West a distance of 23.89 feet to a point; Thence South 80 degrees 40 minutes 13 seconds West a distance of 25.92 feet to a point; Thence South 45 degrees 19 minutes 15 seconds West a distance of 21.14 feet to a point; Thence South 59 degrees 58 minutes 16 seconds West a distance of 19.32 feet to a point; Thence South 76 degrees 59 minutes 21 seconds West a distance of 40.71 feet to a point; Thence South 42 degrees 42 minutes 08 seconds West a distance of 23.80 feet to a point; Thence South 22 degrees 34 minutes 57 seconds East a distance of 147.44 feet to a point; Thence South 28 degrees 02 minutes 15 seconds East a distance of 21.37 feet to a point; Thence along a curve to the left with an arc length of 30.24 feet, said curve having a radius of 31.90 feet, with a chord distance of 29.12 feet, at South 48 degrees 40 minutes 19 seconds East, to a point; Thence South 75 degrees 54 minutes 37 seconds East a distance of 19.67 feet to a point; thence with a curve to the right with an arc length of 92.01 feet, said curve having a radius of 40.46 feet, with a chord distance of 73.43 feet, at South 02 degrees 03 minutes 53 seconds West, to a point; Thence South 48 degrees 57 minutes 13 seconds West a distance of 30.33 feet to a point; Thence North 85 degrees 33 minutes 45 seconds West a distance of 68.01 feet to a point; Thence North 82 degrees 07 minutes 30 seconds West a distance of 67.54 feet to a point; Said point being the **TRUE POINT OF BEGINNING**.

Said tract of land contains 4.715 acres as shown on that certain ALTA/ACSM Land Title Survey prepared by GeoSurvey, Ltd., bearing the seal of David L. Hester, GRLS No. 3042, dated February 16, 2009 and last revised on July 21, 2009.




Lessor

Lessee

Exhibit "A"
Cobb County – Southern Polytechnic State University

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 Lessee'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 (as described in Deed Book 454, Page 151 and Deed Book 1668, Page 126, Cobb County, Georgia Deed Records) 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, including, without limitation, the right to relocate existing utilities during the Construction Term on or under the Premises in accordance with the plans and specifications for the improvements to be constructed on 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.

INGRESS/EGRESS EASEMENTS:

During the term of this Lease, Lessor grants to Lessee a non-exclusive easement over and across all existing and future walkways and drives between Alumni Drive (a private street owned by Lessor), and that Private Drive (not named, as shown on the Survey) (a private street owned by Lessor) and the Premises for vehicular and pedestrian ingress and egress to and from the Premises and Alumni Drive (a private street owned by Lessor), and that Private Drive (not named, as shown on the Survey) (a private street owned by Lessor) for access to adjacent public roads as well as a non-exclusive easement to use Lessor's parking facilities that Lessor designates for such use and subject to such reasonable fees and regulations as Lessor may impose.



Lessor

Lessee

EXHIBIT "B"

Special Stipulations

[None]

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Lessor


Lessee

EXHIBIT "C"

PLANS AND SPECIFICATIONS

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Lessor


Lessee

Deed Book 14713 Pg 853

**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<i>General Project Information</i>			
G0.00	COVER SHEET	05.01.09	
G0.01	INDEX OF DRAWINGS	05.01.09	
G0.02	ABBREVIATIONS LEGENDS & SYMBOLS	05.01.09	
G0.03	SITE SECTOR PLAN	05.01.09	

Civil

CS	COVER SHEET	05/01/09	
1 of 3	BOUNDARY AND TOPOGRAPHIC SURVEY (SHEET 1 OF 3)	02-16-09	
2 of 3	BOUNDARY AND TOPOGRAPHIC SURVEY (SHEET 2 OF 3)	02-16-09	
3 of 3	BOUNDARY AND TOPOGRAPHIC SURVEY (SHEET 3 OF 3)	02-16-09	
R-1	REVISION SHEET	05/01/09	
C-0	DEMOLITION PLAN	05/01/09	
C-1	SITE PLAN	05/01/09	
C-2	UTILITY PLAN	05/01/09	
C-3	GRADING PLAN	05/01/09	
C-4A	EROSION CONTROL PLAN PHASE I	05/01/09	
C-4B	EROSION CONTROL PLAN PHASE II	05/01/09	
C-4C	EROSION CONTROL PLAN PHASE III	05/01/09	
C-5	SANITARY SEWER PROFILES	05/01/09	
C-6a	STORM SEWER PROFILES	05/01/09	
C-6b	STORM SEWER PROFILES	05/01/09	
C-7	CONSTRUCTION DETAILS	05/01/09	
C-8	CONSTRUCTION DETAILS	05/01/09	
C-9	CONSTRUCTION DETAILS	05/01/09	
C-10	CONSTRUCTION DETAILS	05/01/09	
C-11	CONSTRUCTION DETAILS	05/01/09	
C-12	CONSTRUCTION DETAILS	05/01/09	
C-13	CONSTRUCTION DETAILS	05/01/09	
C-14	CONSTRUCTION DETAILS	05/01/09	
C-15	CONSTRUCTION DETAILS	05/01/09	


 Lessor

 Lessee

Deed Book 14713 Pg 854

SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<i>Architectural</i>			
A0.01	BUILDING CODE REVIEW AND PROJECT INFORMATION	05.01.09	
A0.02	FAIR HOUSING	05.01.09	
A0.11	LIFE SAFETY PLAN SPECIAL INTEREST HOUSING	05.01.09	
A0.12	LIFE SAFETY PLAN COMMUNITY CENTER	05.01.09	
A0.20	UL ASSEMBLIES	05.01.09	
A0.21	UL ASSEMBLIES	05.01.09	
A0.22	UL ASSEMBLIES	05.01.09	
A0.30	WALL ASSEMBLIES	05.01.09	
A1.00	ARCHITECTURAL SITE PLAN	05.01.09	
A1.11	SLAB PLAN SPECIAL INTEREST HOUSING	05.01.09	
A1.12	1ST LEVEL PLAN SPECIAL INTEREST HOUSING	05.01.09	
A1.12a	ACCESSIBILITY DIAGRAM	05.01.09	
A1.13	2ND LEVEL PLAN SPECIAL INTEREST HOUSING	05.01.09	
A1.14	ROOF & ATTIC PLAN SPECIAL INTEREST HOUSING	05.01.09	
A1.21	SLAB PLAN COMMUNITY CENTER	05.01.09	
A1.22	PLAN – COMMUNITY CENTER	05.01.09	
A1.23	ROOF PLAN – COMMUNITY CENTER	05.01.09	
A2.11	REFLECTED CEILING PLAN SPECIAL INTEREST HOUSING	05.01.09	
A2.21	REFLECTED CEILING PLAN COMMUNITY CENTER	05.01.09	
A3.10	ELEVATION OPTIONS	05.01.09	
A3.10a	ELEVATION SCHEDULE SPECIAL INTEREST HOUSING	05.01.09	
A3.11	FRONT & SIDE ELEVATIONS SPECIAL INTEREST HOUSING	05.01.09	
A3.12	REAR & SIDE ELEVATIONS SPECIAL INTEREST HOUSING	05.01.09	
A3.21	COMMUNITY CENTER	05.01.09	



 Lessor


 Lessee

Deed Book 14713 Pg 855

**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
A3.31	BUILDING SECTIONS SPECIAL INTEREST HOUSING	05.01.09	
A3.41	BUILDING SECTIONS COMMUNITY CENTER	05.01.09	
A4.11	WALL SECTIONS SPECIAL INTEREST HOUSING	05.01.09	
A4.12	WALL SECTIONS SPECIAL INTEREST HOUSING	05.01.09	
A4.13	WALL SECTIONS	05.01.09	
A4.21	WALL SECTIONS COMMUNITY CENTER	05.01.09	
A4.22	WALL SECTIONS	05.01.09	
A6.01	EXTERIOR DETAILS	05.01.09	
A6.02	EXTERIOR DETAILS	05.01.09	
A6.11	ROOF DETAILS SPECIAL INTEREST HOUSING	05.01.09	
A6.12	ROOF DETAILS COMMUNITY CENTER	05.01.09	
A6.13	ROOF DETAILS	05.01.09	
A6.21	INTERIOR DETAILS	05.01.09	
A7.01	STAIR PLANS & SECTIONS	05.01.09	
A7.02	STAIR DETAILS	05.01.09	
A8.01	DOOR SCHEDULE & DETAILS	05.01.09	
A8.02	DOOR DETAILS	05.01.09	
A8.10	WINDOW SCHEDULE & DETAILS	05.01.09	

Interior Drawings

ID1.0	1 st & 2 nd Floor Plans SI Housing	05.01.09
ID1.1	Community Center Floor Plan	05.01.09
ID2.0	Furniture Plans SI Housing	05.01.09
ID3.0	Moulding Details	05.01.09
ID5.0	Community Center Bar Details	05.01.09
ID6.0	Floor Transitions	05.01.09
ID8.0	Finish Schedule	05.01.09




 Lessor

 Lessee

**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton & Associates Drawing List



	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<i>Structural</i>			
S0.1	SPECIAL INTEREST HOUSING GENERAL NOTES	05/01/09	
S0.2	SPECIAL INTEREST HOUSING GENERAL NOTES AND SCHEDULES	05/01/09	
S0.3	SPECIAL INTEREST HOUSING TYPICAL SECTIONS AND DETAILS	05/01/09	
S1.11	SPECIAL INTEREST HOUSING SLAB & FOUNDATION PLAN	05/01/09	
S1.12	SPECIAL INTEREST HOUSING SECOND FLOOR FRAMING PLAN	05/01/09	
S1.13	SPECIAL INTEREST HOUSING ROOF FRAMING PLAN	05/01/09	
S1.21	COMMUNITY CENTER SLAB & FOUNDATION PLAN	05/01/09	
S1.22	COMMUNITY CENTER ROOF FRAMING PLAN	05/01/09	
S2.1	FOUNDATION SECTIONS AND DETAILS	05/01/09	
S3.1	STUD WALL SHEAR WALL SCHEDULE & DETAILS	05/01/09	
S3.2	WOOD FRAMING SECTIONS AND DETAILS	05/01/09	
S4.1	STEEL FRAMING SECTION AND DETAILS	05/01/09	
<i>Mechanical</i>			
M0.1	HVAC Equipment Schedule, Notes Legend & Drawing Index	05/01/09	
M0.2	General Notes & Details	05/01/09	
M1.12	SPECIAL INTEREST BLD LEVEL 1 HVAC PLAN	05/01/09	
M1.13	SPECIAL INTEREST BLD LEVEL 2 HVAC PLAN	05/01/09	
M2.10	HVAC FLOOR PLAN	05/01/09	


 Lessor

 Lessee

**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<i>Plumbing</i>			
P0.01	SYMBOLS, NOTES, LEGENDS & ABBRE	05/01/09	
P0.02	SCHEDULES	05/01/09	
P0.03	DETAILS	05/01/09	
P1.12	BUILDING FLOOR PLAN LEVEL ONE - PLUMBING	05/01/09	
P1.13	BUILDING FLOOR PLAN LEVEL TWO - PLUMBING	05/01/09	
P2.10	COMMUNITY CENTER PLUMBING FLOOR PLAN	05/01/09	
<i>Electrical</i>			
E0.1	Electrical Abbreviations, Details, General Notes, Symbol Legend & Drawing Index	05/01/09	
E0.2	Electrical Calculations, Details, Riser Diagrams and Schedules	05/01/09	
E2.10	COMMUNITY CENTER ELECTRICAL FLOOR PLAN	05/01/09	
E1.12	BUILDING FLOOR PLAN LEVEL ONE & TWO ELECTRICAL	05/01/09	
<i>Low Voltage</i>			
LV0.00	LEGEND AND COVER SHEET	05.01.09	
LV1.00	SITE PLAN OVERALL REFERENCE	05.01.09	
LV1.01	SITE PLAN SPECIAL INTEREST HOUSING	05.01.09	
LV1.02	SITE PLAN OUTSIDE PLANT	05.01.09	
LV1.03	SITE PLAN RESIDENTS HALL AND DINING BUILDING	05.01.09	
LV2.11	COMMUNITY CENTER PLAN	05.01.09	
LV2.21	SPECIAL INTEREST HOUSING LEVEL 1 & 2	05.01.09	


 Lessor

 Lessee

**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton & Associates Drawing List

	<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
LV3.11	SPECIAL INTEREST LARGE SCALES	05.01.09	
LV4.11	VOICE AND DATA INFRASTRUCTURE ONE LINE DIAGRAM	05.01.09	
LV4.12	CATV AND GROUNDING SYSTEMS ONE LINE DIAGRAM	05.01.09	
LV4.13	EMERGENCY NOTIFICATION ONE LINE DIAGRAM	05.01.09	
LV4.14	ACCESS CONTROL SYSTEM ONE LINE DIAGRAM	05.01.09	
LV4.15	VIDEO SURVEILLANCE ONE LINE DIAGRAM	05.01.09	
LV5.11	SPECIAL INT DETAILS	05.01.09	
LV5.12	SPECIAL INT DETAILS	05.01.09	
LV5.13	SPECIAL INT DETAILS	05.01.09	

Landscape

L0.0	SITE PLAN	05.01.09	
L1.0	REFERENCE AND LAYOUT PLAN	05.01.09	
L1.1	LIGHTING, MATERIALS, AND FURNITURE PLAN	05.01.09	
L1.2	COMMUNITY CENTER PLANS	05.01.09	
L2.0	CONSTRUCTION DETAILS	05.01.09	
L2.1	CONSTRUCTION DETAILS	05.01.09	
L2.2	GAZEBO PLANS, ELEVATIONS AND DETAILS	05.01.09	
L2.3	GAZEBO DETAILS	05.01.09	
L2.4	MATERIALS SCHEDULE	05.01.09	
L3.0	OVERALL PLANTING PLAN	05.01.09	
L3.1	PLANTING PLAN ENLARGEMENT A	05.01.09	
L3.2	PLANTING PLAN ENLARGEMENT B	05.01.09	
L3.3	PLANTING PLAN ENLARGEMENT C	05.01.09	
L3.4	PLANTING PLAN ENLARGEMENT D	05.01.09	
L3.5	PLANTING SCHEDULE	05.01.09	
L3.6	PLANTING DETAILS	05.01.09	


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**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton & Associates Drawing List

<i>Architectural Title Sheet</i>	<i>Date Issued</i>	<i>Latest Revision</i>
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END OF DRAWING LIST



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**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton Associates Specification List

<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<u>Division 01 General Requirements</u>		
00 31 32.13	Subsurface Drilling & Sampling Information	05.01.09
	Report of Geotechnical Services For Student Housing Phase III Southern Polytechnic State University (SPSU) Marietta, Cobb County, Georgia	02.19.09
00 61 13	Performance and Payment Bond	05.01.09
00 65 00	Contractor Warranty Form	05.01.09
00 65 36	Warranty Form	05.01.09
00 67 00	Subcontractor Warranty Form	05.01.09
00 70 00	General Contract Conditions	05.01.09
	AIA Document A201-1997 General Conditions of the Contract for Construction	03.24.09
00 73 00	Supplementary Conditions	05.01.09
00 90 00	Performance Bond	05.01.09
00 95 00	Payment Bond	05.01.09
00 96 00	Request for Substitution	05.01.09
01 10 00	Summary of Work	05.01.09
01 29 00	Payment Procedures	05.01.09
01 31 00	Project Management and Coordination	05.01.09
01 32 00	Construction Progress Documentation	05.01.09
01 32 23	Survey and Layout Data	05.01.09
01 32 33	Photographic Documentation	05.01.09
01 33 00	Submittal Procedures	05.01.09
01 35 20	LEED Requirements	05.01.09
01 40 00	Quality Requirements	05.01.09
01 45 23	Testing and Inspection Services	05.01.09
01 50 00	Construction Facilities and Temporary Controls	05.01.09
01 57 13	Temporary Erosion and Sediment Control	05.01.09
01 60 00	Product Requirements	05.01.09
01 65 00	Product Delivery Requirements	05.01.09
01 74 19	Construction Waste Management and Disposal	05.01.09
01 78 00	Closeout Procedures	05.01.09

Division 03 Concrete

03 01 00	Concrete Testing	05.01.09
03 10 00	Concrete Formwork	05.01.09


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**SPSU Student Housing III -- Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
03 20 00	Concrete Reinforcement	05.01.09	
03 30 00	Cast-In-Place Concrete	05.01.09	
03 35 00	Concrete Finishes	05.01.09	
03 45 00	Precast Architectural Concrete (Alternate)	05.01.09	
03 49 00	Glass-Fiber-Reinforced Precast Concrete (GFRC)	05.01.09	
03 54 00	Cast Underlayment	05.01.09	

Division 04 - Masonry

04 05 13	Masonry Mortaring	05.01.09	
04 05 23	Masonry Accessories	05.01.09	
04 20 00	Concrete Masonry Units	05.01.09	
04 21 13	Brick Masonry	05.01.09	
04 72 00	Cast Stone Masonry	05.01.09	

Division 05 - Metals

05 12 00	Structural Steel	05.01.09	
05 50 00	Metal Fabrications	05.01.09	
05 52 13	Pipe and Tube Railings	05.01.09	

Division 06 - Wood and Plastics

06 10 00	Rough Carpentry	05.01.09	
06 19 20	Prefabricated Wood Trusses	05.01.09	
06 20 00	Finish Carpentry	05.01.09	
06 40 23	Interior Architectural Woodwork	05.01.09	
06 41 00	Architectural Wood Casework	05.01.09	

Division 07 - Thermal and Moisture Protection

07 21 00	Thermal Insulation	05.01.09	
07 21 29	Sprayed Insulation	05.01.09	
07 26 00	Under Slab Vapor Retarder	05.01.09	
07 27 26	Fluid-Applied Membrane Air Barriers	05.01.09	
07 31 13	Asphalt Shingles	05.01.09	


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**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
07 60 00	Flashing and Sheet Metal	05.01.09	
07 65 00	Flexible Flashing	05.01.09	
07 84 00	Firestopping	05.01.09	
07 92 00	Joint Sealants	05.01.09	

Division 08 - Doors and Windows

08 17 13	Integrated Metal Door Opening Assemblies	05.01.09	
08 17 23	Integrated Wood Door Opening Assemblies	05.01.09	
08 31 00	Access Doors and Frames	05.01.09	
08 36 13	Sectional Doors	05.01.09	
08 53 13	Vinyl Windows	05.01.09	
08 54 13	Fiberglass Windows (Alternate Window)	05.01.09	
08 71 00	Door Hardware	05.01.09	
08 80 00	Glazing	05.01.09	

Division 09 - Finishes

09 29 00	Gypsum Board	05.01.09	
09 30 00	Tiling	05.01.09	
09 65 13	Resilient Base and Accessories	05.01.09	
09 68 16	Sheet Carpeting	05.01.09	
09 91 00	Painting	05.01.09	

Division 10 - Specialties

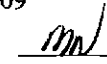

10 21 13	Toilet Compartments	05.01.09	
10 44 16	Fire Extinguishers and Cabinets	05.01.09	

Division 11 - Equipment

11 30 00	Residential Appliances	05.01.09	
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Division 12 - Furnishings

12 21 00	Window Blinds	05.01.09	
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**SPSU Student Housing III – Special Interest Housing
Plans and Specifications
Exhibit C**

Niles Bolton Associates Specification List

	<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<u>Division 21 - Fire Protection</u>			
21 00 00	Fire Protection General	05.01.09	
21 30 00	Electric Fire Pump and Accessories	05.01.09	
<u>Division 22 - Plumbing</u>			
22 00 00	Plumbing General	05.01.09	
22 16 00	Natural Gas Piping System	05.01.09	
22 40 00	Plumbing Fixtures	05.01.09	
<u>Division 23 - HVAC</u>			
23 00 00	HVAC General	05.01.09	
23 31 00	Ductwork and Accessories	05.01.09	
23 34 00	Unitary Exhaust and Supply Fans and Ventilators	05.01.09	
23 37 00	Louvers, Grilles, Registers and Diffusers	05.01.09	
23 74 00	Single Package Air Conditioners	05.01.09	
23 81 26	Split System Air Conditioning	05.01.09	
23 81 26	Split System Heat Pumps	05.01.09	
<u>Division 26 - Electrical</u>			
26 00 00	Electrical General	05.01.09	
26 05 19	Conductors	05.01.09	
26 05 26	Grounding	05.01.09	
26 05 30	Firestopping for Electrical Systems	05.01.09	
26 05 33	Conduit and Raceways	05.01.09	
26 05 34	Outlet Boxes and Junction Boxes	05.01.09	
26 05 35	Communications Conduit System	05.01.09	
26 09 23	Occupancy Sensors	05.01.09	
26 24 16	Panelboards	05.01.09	
26 27 26	Wiring Devices	05.01.09	
26 28 16	Disconnect Switches	05.01.09	
26 51 00	Lighting	05.01.09	


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Deed Book 14713 Pg 864
 Housing C. Stephenson
 Clerk of Superior Court Cobb Cty. Ga.

**SPSU Student Housing III – Special Interest
 Plans and Specifications
 Exhibit C**

Niles Bolton Associates Specification List

<i>Specification Section Title</i>	<i>Date Issued</i>	<i>Latest Revision</i>
<u>Division 27 Communications</u>		
27 0100	General Requirements for Communications Systems	05.01.09
27 0526	Grounding & Bonding for Communications Systems	05.01.09
27 0528	Pathways for Communications Systems	05.01.09
27 0553	Administration & Labeling	05.01.09
27 0800	Communications Commissioning	05.01.09
27 1100	Equipment Room Components	05.01.09
27 1116	Communications Faceplates & Connectors	05.01.09
27 1119	Communication System Termination Blocks & Patch Panels	05.01.09
27 1123	Communications Cable Management & Telecom Room Ladder Rack	05.01.09
27 1126	Communications Rack Mounted Power Strips	05.01.09
27 1300	Communications Backbone Cabling	05.01.09
27 1323	Communications Optical Fiber Backbone Cabling	05.01.09
27 1343	CATV Distribution System	05.01.09
27 1500	Copper Horizontal Cabling	05.01.09

Division 28 – Electronic Safety and Security



28 31 11	Fire Alarm System	05.01.09
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Division 32 - Exterior Improvements

32 31 00	Chain Link Fences and Gates	05.01.09
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Division 33 - Utilities

33 46 00	Subdrainage	05.01.09
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APPENDIX G
BOOK-ENTRY ONLY SYSTEM

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The Depository Trust Company (“DTC”) will act as securities depository for the Series 2019 Bonds. The Series 2019 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 2019 Bond will be issued for each maturity of the Series 2019 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019 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 2019 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 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 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 2019 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 2019 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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.

Prepayment notices shall be sent to DTC. If less than all of the Series 2019 Bonds within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2019 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, Series 2019 Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2019 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. Neither the Issuer nor the Company take any responsibility for the accuracy or completeness thereof.

APPENDIX H
FINANCIAL STATEMENTS OF THE UNIVERSITY SYSTEM OF GEORGIA FOR THE
FISCAL YEAR ENDED JUNE 30, 2018

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FISCAL YEAR

2018

ANNUAL
FINANCIAL
REPORT



UNIVERSITY SYSTEM OF GEORGIA



UNIVERSITY SYSTEM OF GEORGIA

UNIVERSITY SYSTEM OF GEORGIA
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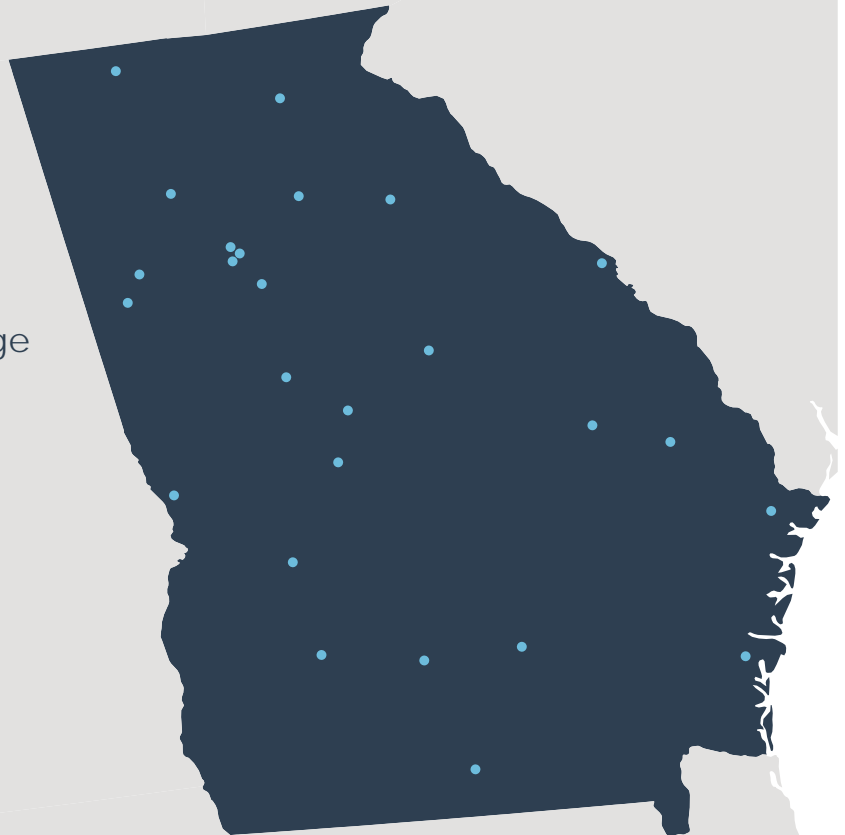
*Introductory
Section*



More than 328,000 students enroll in the 26 public higher education institutions of the University System of Georgia (USG), helping contribute to communities across the state.

USG's economic impact is estimated at \$16.8 billion annually, and its institutions have generated more than 163,000 jobs across Georgia, an increase of more than 3,000 jobs over last year.

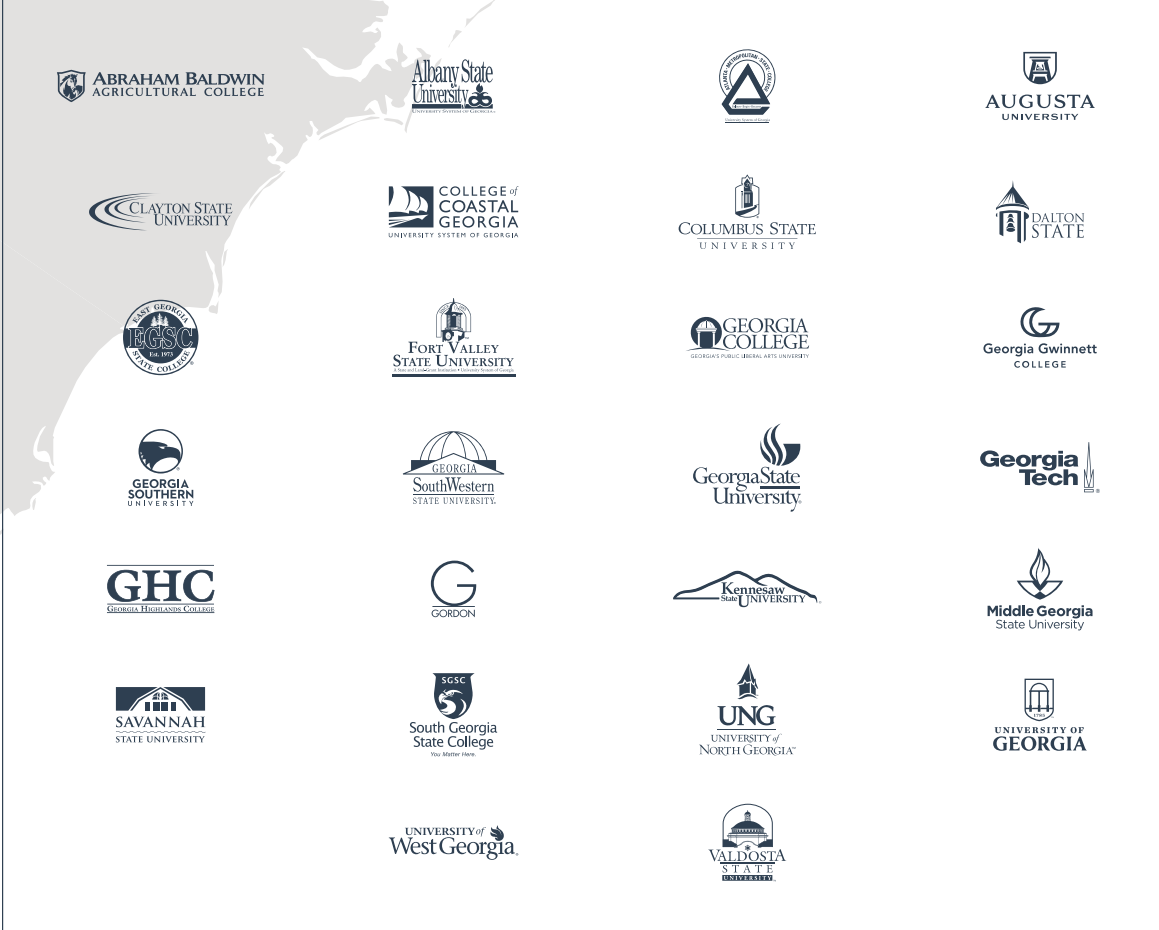
At the same time, our faculty compete nationally for sponsored research dollars that total more than \$1 billion annually. And the system continues to improve student access and increase students' college attainment, fulfilling its core mission: Knowledge.





UNIVERSITY SYSTEM OF GEORGIA

328,000 STUDENTS



\$16.8 BILLION
*Estimated USG Annual
Economic Impact*

163K JOBS
*Generated
Across Georgia*

\$1 BILLION
*Research Dollars
Competed For*

KNOWLEDGE



Nearly 220,000 students to date have taken advantage of the Affordable Learning Georgia program, saving an estimated \$19 million annually in textbook costs.

College Completion

Since Gov. Nathan Deal launched the Complete College Georgia initiative in 2011, the number of USG students annually earning degrees has increased 21 percent. From 54,800 students in 2011 to more than 66,400 in 2018, the numbers have gone up for seven consecutive years.

To continue that work, we have designated the first year of college a "Momentum Year." All 26 institutions have begun a programmatic emphasis on first-year students to help them start on the right track toward successful degree completion and reduce their time - and costs - toward graduation.

College students are more likely to graduate when they immediately pursue an area of academic interest, get help to stay on track and follow a clearly sequenced course of study. For our first-year students, this means passing English and math, taking nine hours in a field of interest and passing 30 course-hours total.

The effort also builds on expanding use of academic programs such as "degree roadmaps," a 15-to-finish campaign for fuller course loads, early-alert systems and intrusive advising for when students stray from their chosen path and need help to get back on track.

We are proud of our academic reputation: Georgia continues to be one of only three states with at least two institutions ranked among U.S. News & World Report's Top 15 public institutions in the nation.

While the Georgia Institute of Technology remains in the top 10 at No. 8, the University of Georgia this year jumped three spots to No. 13 - the highest ranking in UGA's history.

Affordability

The Board of Regents has continued to keep tuition increases to a minimum and has focused on reducing students' textbook costs systemwide.

A zero percent tuition increase was instituted for the 2018-2019 academic year, the second time in three years that has happened. Tuition increases over the last five years have been limited to an average of 1.8 percent annually.

The system has also tried to maximize the potential of online resources, including the increased use of free, open-sourced electronic textbooks. Nearly 220,000 students to date have taken advantage of the Affordable Learning Georgia program, saving an estimated \$19 million annually in text book costs.



\$30 million in annual administrative savings has been reinvested toward students' academic programs and student support.

Efficiency

Campus consolidations kept the system on-track toward improving services and opportunities especially in both South Georgia and Southeast Georgia. In turn, this has helped better serve the needs of surrounding communities by strategically aligning degree offerings with regional needs.

USG consolidations since 2011 have included 18 institutions, resulting in nine newly consolidated universities and colleges throughout Georgia.

The resulting \$30 million in annual administrative savings has been reinvested toward students' academic programs and support services, including the hiring of new academic advisors, student counselors, faculty members and academic support staff.

Institutions have also used these funds to launch student services and support initiatives seeking to enhance financial aid, library and research systems as well as streamline students' campus enrollment and registration experiences.

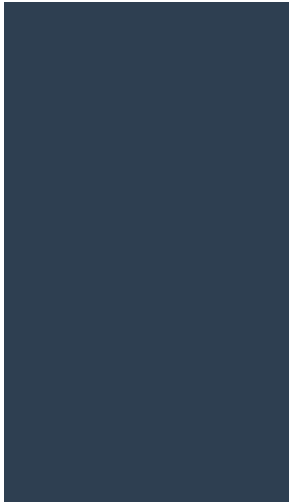




Comprehensive Administrative Review

The first of its kind for USG, the ongoing Comprehensive Administrative Review launched in 2017 and is being finalized for both the University System Office as well as all 26 institutions. It brings to the fore a systemwide focus on improving administration by creating new efficiencies, streamlining processes and reorganizing staff to best serve the needs of all students.



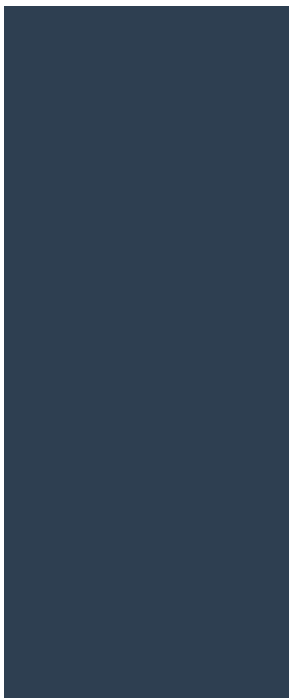


Economic Innovation

The USG mission is to create knowledge. Knowledge drives innovation, which in turn drives the Georgia economy. The system has launched the new Georgia FinTech Academy, a statewide initiative to create a talent pipeline for Georgia's fast-growing financial technology business sector.

The USG also partnered with the Georgia Chamber of Commerce, the Technical College System of Georgia and others on a new statewide competition for college students that aims to foster innovation, entrepreneurship and start-up creation. The Georgia InVenture Prize, based on a competition begun at Georgia Tech, will highlight and support Georgia's growing ecosystem of student entrepreneurs and innovators from across the entire state.

The USG mission is to create knowledge.



Cyber Expansion

USG is proud to be a founding partner of the state's new Georgia Cyber Innovation and Training Center, which opened in Augusta 2018.

The center represents the single largest investment in a state cybersecurity facility in the nation to date and will help to fill the critical shortage of cybersecurity talent in Georgia and across the nation.

It will be a key partner for our eight USG institutions designated by federal officials as National Centers of Academic Excellence in Cyber Defense. The center will also allow students and researchers from throughout the system to closely collaborate with our partners from the military, industry and government.

The center also provides a unique opportunity to Augusta University's School of Computer and Cyber Sciences, giving students access to state-of-the-art technology for their education and research in disciplines that include computer science, cyber engineering and information technology.



College 2025

In August, USG released the final report from its College 2025 Initiative to help institutions embrace a 21st-century model for public higher education.

A 22-member committee of experts and leaders in higher education, industry and small business identified more than two dozen recommendations.

Initial action steps based on those recommendations have already begun to be implemented this academic year, including faculty development opportunities and increased student support.

Nexus Degree

USG also launched the new "nexus" academic degree, based on the group's recommendation to develop different college credentials for new or returning students who need specialized skill sets. Nexus degrees emphasize hands-on experiential learning, skilled knowledge and connections with industry in high-demand career fields.

Albany State and Columbus State universities have since become the first institutions approved to offer these new programs – with more on the way. Columbus State's new nexus degree will be in film production. Albany State will offer two new nexus degrees, one in blockchain with machine learning and the other in blockchain with data analytics.



Nexus degrees emphasize hands-on experiential learning, skilled knowledge and connections with industry in high-demand career fields.



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FAX (404) 962-3215

January 18, 2018

Chancellor Steve Wrigley
Board of Regents
University System of Georgia

Dear Chancellor Wrigley:

We are pleased to present to you the Annual Financial Report of the University System of Georgia for the year ended June 30, 2018. 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 year 2018 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,

Tracey Cook
Interim Executive Vice Chancellor for Strategy and Fiscal Affairs/Treasurer
Board of Regents of the University System of Georgia

"Creating A More Educated Georgia"
www.usg.edu



UNIVERSITY SYSTEM OF GEORGIA

*Financial
Section*





UNIVERSITY SYSTEM OF GEORGIA



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

Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of Regents of the University System of Georgia
and

Dr. Steve Wrigley, Chancellor
University System of Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the University System of Georgia (USG), which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University System of Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Except for the Augusta University Foundation, Inc., Augusta University Research Institute Inc., AU Health Systems, Inc., Georgia State University Research Foundation, Inc., Georgia Tech Research Corporation, and the University of Georgia Research Foundation, Inc., the financial statements of the discretely presented component units of the USG that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

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 USG'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 USG'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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the USG as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the USG are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only those portions of the business-type activities, aggregate discretely presented component units, and the aggregate remaining fund information of the State of Georgia that are attributable to the transactions of the USG. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2018, the Institute adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to these matters.

As discussed in Note 1 to the financial statements, in 2018, the USG restated the prior period financial statements for changes in the financial reporting entity, adoption of GASB 75, and corrections from the prior year. Our opinions are 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, Schedule of Contributions for Defined Benefit Pension Plans, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employers' and Nonemployers' Net Pension Liability, Schedule of Changes in Net Pension Liability, Schedule of Investment Returns, Notes to the Required Supplementary Information for Pension Plans, Schedule of Contributions for OPEB, Schedule of Proportionate Share of the Net OPEB Asset, Schedule of Changes of the Net OPEB Liability, Schedule of Net OPEB Liability, Schedule of Investment Returns for OPEB, and Notes to the Required Supplementary Information for OPEB Plan as listed in the table of contents, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 opinions on the financial statements that collectively comprise the USG's basic financial statements. The introductory section, and accompanying supplementary information as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the USG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the USG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the USG's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin
State Auditor

January 18, 2019



UNIVERSITY SYSTEM OF GEORGIA

UNIVERSITY SYSTEM OF GEORGIA

Management's Discussion and Analysis

Introduction

The University System of Georgia (USG)'s priority is to ensure more Georgians enter the workforce with a college credential, while also seeking to make college more affordable and accessible and the System itself more cost-efficient on behalf of the State's students and communities. USG institutions enrolled more than 325,000 students and awarded 66,441 degrees for fiscal year 2018, a 2.3 percent increase over the previous year and a 21 percent increase since 2011. System leaders continue to invest in academic initiatives to increase attainment. For the academic year 2018-19, all 26 USG institutions launched a "Momentum Year" program focused on first-year students to help them start their college careers on-track and focused toward completion. At the same time, USG institutions for the second time in three years did not raise tuition rates and continued to closely monitor student fees. Georgia's average annual tuition and fee increases over the last five years are the second-lowest of the 16 states that make up the Southern Regional Education Board. The system also embarked on an ongoing Comprehensive Administrative Review at all 26 institutions as well as the University System Office. This is a thorough assessment of how the system is organized, if processes are modernized and if staffing levels make sense. Ultimately, it will help provide greater focus on the system's most important resource: Its students.

This discussion and analysis provides a summary of the financial position of the USG for the fiscal year ending June 30, 2018. It will provide the user with an overview of how the USG utilized its resources in pursuit of its primary goals of teaching, research and public service.

The Board of Regents and Chancellor Steve Wrigley are charged with the leadership of the 26 institutions of the USG. The USG continues to prosper, as is demonstrated by the following information:

State Resources

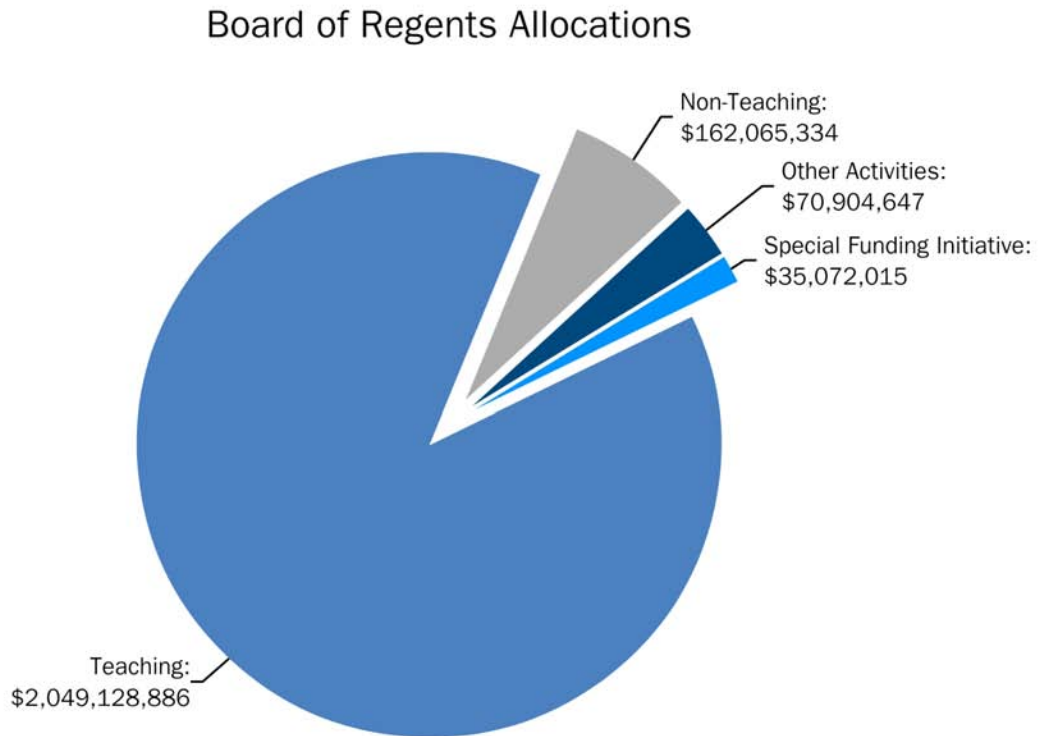
The General Appropriations Act of 2018 (House Bill 44), as amended by House Bill 683, appropriated a total of \$2.32 billion to the USG. The following table presents the state appropriations available to the USG from the General Appropriations Act of 2018, as amended:

STATE APPROPRIATIONS AVAILABLE - GENERAL APPROPRIATIONS ACT OF 2018	
House Bill 44	
General State Funds	\$ 2,305,085,976
House Bill 683	
General State Funds	12,084,906
Total State Appropriations Per Appropriations Act - University System of Georgia	\$ 2,317,170,882

The following table presents the fiscal year 2018 allocations by the Board of Regents to the USG institutions:

ALLOCATIONS BY THE BOARD OF REGENTS	
Education and General	
Teaching	\$ 2,049,128,886
Non-Teaching	162,065,334
Other Activities	
University System Office	\$ 12,270,277
Rental Payments - GA Military College	6,176,766
GA Public Telecommunications Commission	15,251,668
GA Public Libraries	37,205,936
Total Other Activities	70,904,647
Special Initiative Funding	35,072,015
Net State Appropriations Available to the University System of Georgia	\$ 2,317,170,882

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 2018. These statements contain information from the 26 institutions of the USG, and the University System Office. These financial statements include: three consolidated financial statements (1) Statement of Net Position, (2) Statement of Revenues, Expenses and Changes in Net Position, and (3) Statement of Cash Flows; Fiduciary Fund statements for the Board of Regents Retiree Health Benefit Fund, the Early Retirement Plan - Augusta University and the USG Deferred Compensation Plan; and combining component unit financial statements for 25 discretely presented component units. These 25 organizations are legally separate tax-exempt component units of the State of Georgia. The emphasis of discussions about these statements will be on current year data of the USG.

The Notes to the Financial Statements follow the combining component unit financial 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, the Early Retirement Plan - Augusta University, retirement plans for which the USG and its institutions participates and other post employment benefits as required by generally accepted accounting principles.

Finally, the Supplementary Information section includes selected information by USG institution, affiliated organizations and USG 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 year 2018 and 2017.

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 the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the statement is to present to the reader a fiscal snapshot of the USG. The Statement of Net Position presents data concerning assets (property that we own and what we are owed by others), deferred outflows of resources (consumption of net position by the USG that is applicable to future reporting periods), liabilities (what we owe to others and have collected from others before we have provided the service), deferred inflows of resources (acquisition of net position by the USG that is applicable to future reporting periods), and net position. It is prepared under the accrual basis of accounting, which requires revenue and asset recognition when the service is provided, and expense and liability recognition when goods or services are received despite when cash is actually exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue operations of the USG. They are also able to determine how much the USG owes vendors and investors. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources (net position) is one indicator of the USG's financial health when considered in conjunction with other nonfinancial conditions, such as facilities and environment.

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. 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. *The corpus of non-expendable, restricted resources* is available only for investment purposes. Restricted, expendable resources are available for expenditure, however, expenditure of these resources is limited to time or purpose restrictions placed on the assets by the donor and/or external third parties. The final category is unrestricted resources, which are available to the USG for any lawful purpose.

The USG's financial position at June 30, 2018 is very strong, with total assets of \$12.67 billion, deferred outflows of \$874 million, total liabilities of \$10.90 billion, deferred inflows of \$1.04 billion and net position of \$1.61 billion.

Assets and Deferred Outflows

Total assets and deferred outflows of the USG in fiscal year 2018 were approximately \$39 million more than those reported for fiscal year 2017. Most asset categories had marginal increases or decreases during the year. Cash and investments increased \$99 million due to strategic budgetary efforts. Capital assets decreased \$85 million. The major reduction in capital assets was related to the removal of duplicate capital assets that were reported by the University of Georgia Athletic Association, Inc, a component unit of the State of Georgia. These capital asset reductions were partially offset by major building additions. See Note 6 with in the Notes to the Financial Statements for more information.

Liabilities and Deferred Inflows

Total liabilities and deferred inflows for fiscal year 2018 were approximately \$1.52 billion more than those reported for fiscal year 2017. The majority of the change related primarily to an increase in net OPEB liability of \$1.6 billion resulting from the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions*, a decrease in net pension liability of \$282 million and an increase in a net deferred gain on defined benefit pension plan of \$13 million.

Net Position

The combination of the increase in total assets and deferred outflows of \$39 million and the increase in total liabilities and deferred inflows of \$1.52 billion yielded a net decrease in total net position of \$1.49 billion or 48.05%. The decrease in net position was directly related to the adoption of GASB Statement No. 75. See Note 1 in the Notes to the Financial Statements for more information.

The following table summarizes the USG's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2018 and June 30, 2017.

CONDENSED STATEMENT OF NET POSITION	June 30, 2018	June 30, 2017 (1)	% Change
ASSETS			
Current Assets	\$ 2,292,837,480	\$ 2,172,184,004	5.55%
Capital Assets, Net	9,878,403,906	9,962,908,062	-0.85%
Other Assets	498,530,235	480,893,886	3.67%
TOTAL ASSETS	12,669,771,621	12,615,985,952	0.43%
DEFERRED OUTFLOWS	873,854,980	889,122,408	-1.72%
LIABILITIES			
Current Liabilities	914,781,438	882,875,681	3.61%
Non-Current Liabilities	9,983,382,572	8,800,064,037	13.45%
TOTAL LIABILITIES	10,898,164,010	9,682,939,718	12.55%
DEFERRED INFLOWS	1,038,949,132	729,574,530	42.40%
NET POSITION			
Net Investment in Capital Assets	6,666,852,110	6,627,744,225	0.59%
Restricted, Non-Expendable	204,781,419	193,258,875	5.96%
Restricted, Expendable	218,195,579	249,285,321	-12.47%
Unrestricted (Deficit)	-5,483,315,649	-3,977,694,309	-37.85%
TOTAL NET POSITION	\$ 1,606,513,459	\$ 3,092,594,112	-48.05%

(1) The amounts reported for fiscal year 2017 were not adjusted for the restatement of beginning net position. See Note 1 in the Notes to the Financial Statements for more information regarding the restatement.

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, both operating and non-operating, and the expenses paid by the USG, operating and non-operating, and any other revenues, expenses, gains or losses received or spent by the USG.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the USG. 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 USG. 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 (loss) 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	June 30, 2018	June 30, 2017 (1)	% Change
Operating Revenue	\$ 5,210,409,894	\$ 5,100,949,696	2.15%
Operating Expense	8,237,924,034	8,012,168,406	2.82%
Operating Income/Loss	-3,027,514,140	-2,911,218,710	3.99%
Non-Operating Revenue and Expense	2,992,032,012	2,715,233,106	10.19%
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Special Items	-35,482,128	-195,985,604	-81.90%
Other Revenues, Expenses, Gains, Losses	287,656,654	251,575,758	14.34%
Special Items	(30,284,826)	2,219,860	-1,464.27%
Change in Net Position	221,889,700	57,810,014	283.83%
Net Position at beginning of year, restated	1,384,623,759	3,034,784,098	-54.37%
Net Position at End of Year	\$ 1,606,513,459	\$ 3,092,594,112	-48.05%

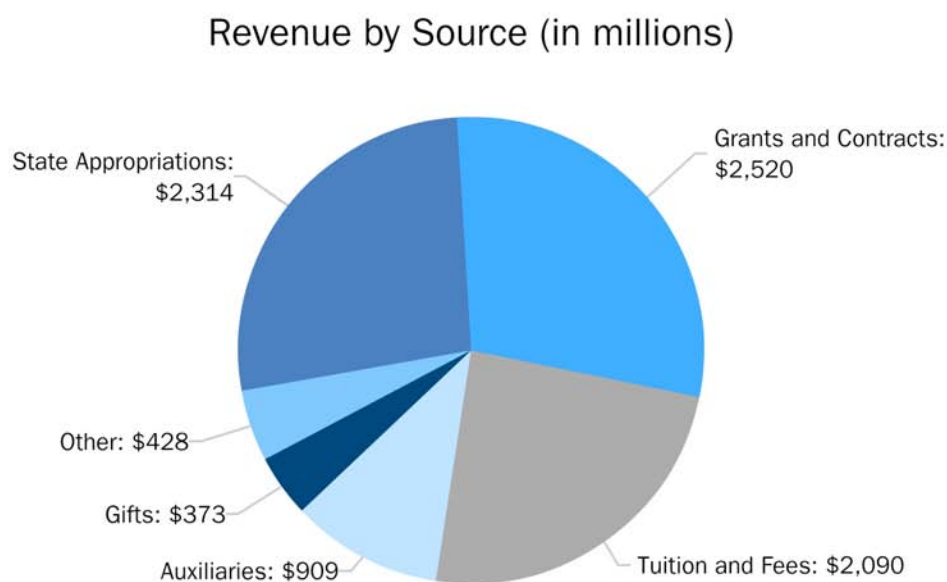
(1) The amounts reported for fiscal year 2017 were not adjusted for the restatement of beginning net position. See Note 1 in the Notes to the Financial Statements for more information regarding the restatement.

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year as represented by an increase in Change in Net Position for fiscal year 2018. However, the ending net position decreased significantly from the prior year due to restatements, which includes the implementation of GASB Statement No. 75 and the removal of duplicate capital assets reported by the University of Georgia Athletic Association, Inc. See Note 1 in the Notes to the Financial Statements for more information. Special items changed significantly mostly due to a change in capital asset policy at Georgia Institute of Technology, an organizational unit of the USG, and a transfer capital assets to Central Georgia Technical College, an organizational unit of the Technical College System Georgia. Some highlights of the information presented on this statement are as follows:

Revenues

In fiscal year 2018, state appropriations increased \$165 million (7.65%), grants and contracts revenue increased \$141 million in fiscal year 2018, net tuition and fee revenues increased \$34 million (1.65%).

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:



For the years ended June 30, 2018 and June 30, 2017, revenues by source were as follows:

REVENUES BY SOURCE	June 30, 2018	June 30, 2017 (1)	% Change
Tuition and Fees	\$ 2,090,092,615	\$ 2,056,150,625	1.65%
Federal Appropriations	20,546,064	22,307,653	-7.90%
Grants and Contracts	1,809,183,944	1,727,419,012	4.73%
Sales and Services	206,733,164	211,924,571	-2.45%
Auxiliary Enterprises	909,392,256	901,424,177	0.88%
Other Operating Revenues	174,461,851	181,723,658	-4.00%
Total Operating Revenues	5,210,409,894	5,100,949,696	2.15%
State Appropriations	2,314,491,667	2,149,978,108	7.65%
Grants and Contracts	690,539,065	631,236,442	9.39%
Gifts	85,985,306	58,987,556	45.77%
Investment Income	45,118,028	44,016,277	2.50%
Total Nonoperating Revenues	3,136,134,066	2,884,218,383	8.73%
State Capital Gifts and Grants	265,811,845	210,403,556	26.33%
Other Capital Gifts and Grants	21,501,194	40,339,044	-46.70%
Total Capital Gifts and Grants	287,313,039	250,742,600	14.58%
Additions to Permanent and Term Endowments	343,615	833,158	
Other Nonoperating Revenue	593,629	—	
Total Revenues	\$ 8,634,794,243	\$ 8,236,743,837	4.83%

(1) The amounts reported for fiscal year 2017 were not adjusted for the restatement of beginning net position. See Note 1 in the Notes to the Financial Statements for more information regarding the restatement.

Expenses

For the years ended June 30, 2018 and June 30, 2017, expenses by functional classification were as follows:

EXPENSES BY FUNCTIONAL CLASSIFICATION	June 30, 2018	June 30, 2017 (1)	% Change
Instruction	\$ 2,003,013,098	\$ 1,996,478,175	0.33%
Research	1,399,514,297	1,371,184,188	2.07%
Public Service	433,276,260	419,784,258	3.21%
Academic Support	627,423,736	608,363,683	3.13%
Student Services	358,362,807	354,756,483	1.02%
Institutional Support	1,232,474,231	1,173,262,400	5.05%
Plant Operations and Maintenance	701,503,860	651,415,644	7.69%
Scholarships and Fellowships	275,405,110	254,895,457	8.05%
Auxiliary Enterprises	831,510,746	829,020,400	0.30%
Patient Care	375,439,889	353,007,718	6.35%
Total Operating Expenses	8,237,924,034	8,012,168,406	2.82%
Interest Expense	144,695,683	161,973,120	-10.67%
Other Nonoperating Expense	—	7,012,157	
Total Expenses	\$ 8,382,619,717	\$ 8,181,153,683	2.46%

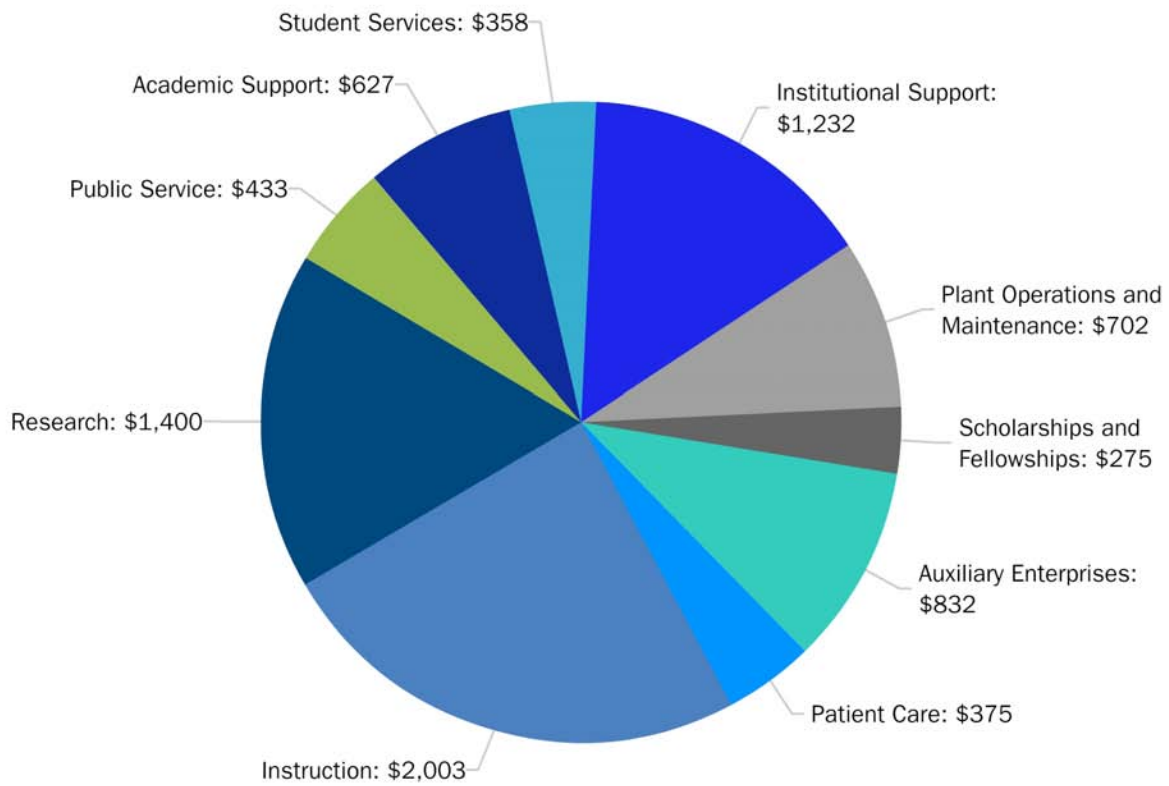
(1) The amounts reported for fiscal year 2017 were not adjusted for the restatement of beginning net position. See Note 1 in the Notes to the Financial Statements for more information regarding the restatement.

Total operating expenses were \$8.2 billion in fiscal year 2018, an increase of \$226 million (2.82%) when compared with fiscal year 2017. These increases are primarily attributable to the following functional classifications: Research (\$28 million), Public Service (\$13 million), Academic Support (\$19 million), Institutional Support (\$59 million), Plant Operations (\$50 million), Scholarships and Fellowships (\$21 million), and Patient Care (\$22 million).

As noted above, operating expenses increased \$226 million (2.82%) in fiscal year 2018 when compared with fiscal year 2017. The increases were substantially attributable to salaries and benefits, including other personal services. The increases in salaries and benefits are attributable to increases in OPEB expenses, faculty and staff increases and merit increases.

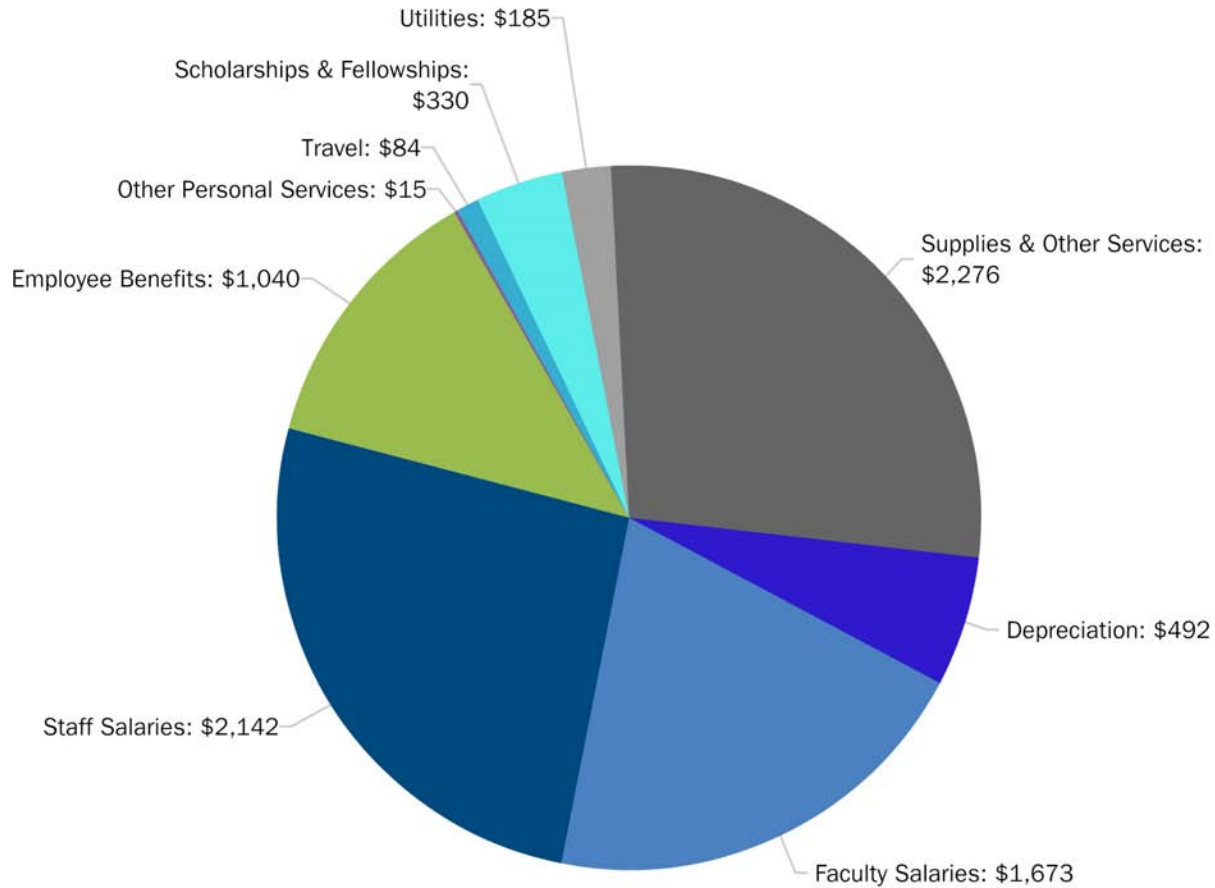
The following chart depicts the fiscal year 2018 operating expenses by functional classification.

Operating Expenses by Functional Classification (in millions)



The following chart depicts the fiscal year 2018 operating expenses by natural classification.

Operating Expenses by Natural Classification (in millions)



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.

Cash Flows for the Years Ended June 30, 2018 and 2017, Condensed

CONDENSED STATEMENT OF NET CASH FLOWS	June 30, 2018	June 30, 2017
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ -2,388,454,869	\$ -2,101,268,541
Non-Capital Financing Activities	3,054,817,788	2,839,760,642
Capital and Related Financing Activities	-641,619,722	-595,935,831
Investing Activities	23,480,441	18,969,608
NET CHANGE IN CASH and CASH EQUIVALENTS	\$ 48,223,638	\$ 161,525,878
Cash and Cash Equivalents, beginning of year	1,521,937,801	1,360,411,923
CASH and CASH EQUIVALENTS, end of year	\$ 1,570,161,439	\$ 1,521,937,801

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2018 and June 30, 2017 were as follows:

CAPITAL ASSETS, net of accumulated depreciation	June 30, 2018	June 30, 2017 ⁽¹⁾	Increase (Decrease)	% Change
Land	\$ 409,861,751	\$ 405,224,031	\$ 4,637,720	1.14%
Capitalized Collections	51,924,925	51,448,435	476,490	0.93%
Construction Work-in-Progress	231,606,547	222,618,967	8,987,580	4.04%
Software Development-in-Progress	12,266,427	9,521,221	2,745,206	28.83%
Infrastructure	216,612,720	231,652,649	(15,039,929)	-6.49%
Building and Building Improvements	8,094,599,134	8,093,169,192	1,429,942	0.02%
Facilities and Other Improvements	160,311,999	276,854,639	(116,542,640)	-42.10%
Equipment	458,287,532	450,656,786	7,630,746	1.69%
Library Collections	175,573,379	174,917,795	655,584	0.37%
Capitalized Collections	5,062,603	5,270,189	(207,586)	-3.94%
Software	62,296,889	41,574,158	20,722,731	49.85%
Capital Assets, net of accumulated depreciation	\$ 9,878,403,906	\$ 9,962,908,062	\$ (84,504,156)	-0.85%

(1) The amounts reported for fiscal year 2017 were not adjusted for the restatement of beginning net position. See Note 1 in the Notes to the Financial Statements for more information regarding the restatement.

As shown above, capital assets, net of accumulated depreciation decreased \$85 million during fiscal year 2018 when compared with fiscal year 2017. This decrease was largely the result of the removal of duplicated capital assets reported by the University of Georgia Athletic Associations, Inc., a component unit of the State of Georgia totaling \$254 million.

The total decrease in capital assets was partially offset by major building additions totaling \$437 million. Major building additions included a Student Services Center at Atlanta Metropolitan State College, a Fine Arts Center at Albany State University, a Center for Modular Medicine and a Research and Education Facility at the University of Georgia, a Convocation Center at the University of North Georgia, an Education Center at Kennesaw State University, and a Science and Technology Center at Savannah State University.

For additional information concerning Capital Assets, see Notes 1, 6, 8, and 13 in the Notes to the Financial Statements.

Long-Term Liabilities

The University System of Georgia had Long-Term Liabilities of \$10.2 billion of which \$255 million was reflected as a current liability at June 30, 2018. Included in Long-Term Liabilities are lease purchase obligations of \$2.9 billion, net pension liability of \$2.9 billion and OPEB liability of \$4.2 billion.

The net pension liability and OPEB obligation are actuarially determined estimates of future post-employment costs. See Note 14 in the Notes to Financial Statements for additional information related to net pension liability. See Note 17 in the Notes to Financial Statements for additional information related to the OPEB liability.

In fiscal year 2018, the USG adopted GASB Statement No. 75. The USG reported a net OPEB liability of \$4.2 billion related to the Board of Regents Retiree Health Benefit Plan as of June 30, 2018.

Lease purchase obligations decreased \$122 million during the current fiscal year. Principal and interest payments were \$121.9 million and \$148.7 respectively for the USG.

For additional information concerning Long-Term Liabilities, see Note 8 in the Notes to the Financial Statements.

Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, receivables, capital leases, compensated absences, retirement and other post-employment benefits, capital assets and a report of operating expenses by function.

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 post-employment health insurance benefits.

As noted in the Long-Term Liabilities section above, the USG carries an OPEB liability of \$4.2 billion as of June 30, 2018. 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 and 17 in the Notes to Financial Statements.

Early Retirement Pension Plan Fund - Augusta University

Augusta University Early Retirement Pension Plan (ERP) is a single-employer defined benefit pension plan administered by Bryan, Pendleton, Swats and McAlister. The plan was devised by Augusta University as a means of manpower reduction and was approved by the Board of Regents of the University System of Georgia effective January 1, 2000.

For additional information concerning the Early Retirement Pension Fund, please refer to Note 14 in the Notes to Financial Statements.

Affiliated Organizations

System-wide, there were 25 affiliated organizations that met one or more criteria for inclusion as component units of the State of Georgia in compliance with GASB Statement No. 14, as amended. These 25 affiliated organizations are included as component units in the University System of Georgia consolidated annual financial statements as they have been determined essential to the fair presentation to these departmental statements. All system-wide affiliated organizations including the 25 previously mentioned are included in the supplementary information section.

Economic Outlook

USG's overarching mission is knowledge, to create it through research, transfer it through teaching and apply it through service. And as knowledge drives innovation, innovation drives the economy.

Why does this matter for Georgia? There is a direct relationship between knowledge, education attainment and economic competitiveness. An educated workforce is the #1 priority of businesses considering moving to Georgia, and the USG plays a key role in working with industry to fulfill the need for talent with high-priority skills.

In less than a decade, about two-thirds of jobs will require some education beyond high school. Right now, only about 47 percent of the Georgia workforce meets this requirement. At the same time, during the recovery from the Great Recession, research has shown that of the 11.6 million jobs created, 99 percent of them - or 11.5 million jobs- went to workers with at least some post-secondary education. And about 70 percent of them went to workers with at least a bachelor's degree. The USG remains a vital link for Georgia's economic success.

It also continues to see modest enrollment increases. For fall 2018 enrollment at USG's 26 colleges and universities totaled 328,712 students, an increase of 1.1 percent (or 3,509 more students) over the previous year. This continues a five-year trend of modest increases in student enrollment and also marks the fourth consecutive year that enrollment continued to reach an all-time high in the USG's total student enrollment.

This increase came even as the USG successfully completed the latest round of institutional consolidations, which since 2011 have included 18 institutions and resulted in nine newly consolidated universities and colleges throughout Georgia. These consolidated institutions have been able to eliminate or combine administrative positions, resulting in \$30 million that have been redirected into hiring faculty and staff to support students' academic experiences.



UNIVERSITY SYSTEM OF GEORGIA

*Financial
Statements*





UNIVERSITY SYSTEM OF GEORGIA

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2018**

	University System of Georgia	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,345,123,209	\$ 323,925,905
Cash and Cash Equivalents (Externally Restricted)	213,067,505	110,158,026
Short-term Investments	66,457,356	83,446,309
Short-term Investments (Externally Restricted)	537,765	111,184,098
Accounts Receivable, net		
Federal Financial Assistance	70,473,727	4,154,994
Affiliated Organizations	12,681,594	5,173,508
Component Units	216,911,224	—
Primary Government	—	8,218,847
Pledges and Contributions	—	76,773,283
Other	271,394,296	464,838,600
Notes Receivable, net	—	15,668
Investment in Capital Leases - Primary Government	—	78,303,880
Investment in Capital Leases - Other	—	346,304
Inventories	22,991,105	19,105,346
Prepaid Items	68,766,262	35,269,909
Other Assets	4,433,437	20,063,515
Total Current Assets	2,292,837,480	1,340,978,192
Non-Current Assets		
Accounts Receivable, net		
Affiliated Organizations	3,561,255	6,167,186
Component Units	2,596,400	—
Pledges and Contributions	—	135,860,990
Other	—	14,973,342
Investments	197,905,258	1,979,870,173
Notes Receivable, net	38,008,297	3,643
Investment in Capital Leases - Primary Government	—	2,301,581,506
Investment in Capital Leases - Other	—	4,048,306
Other Assets	468,541	56,487,912
Non-current Cash (Externally Restricted)	11,970,725	193,722,831
Short-term Investments (Externally Restricted)	38,726	3,434,162
Investments (Externally Restricted)	243,981,033	1,668,579,431
Capital Assets, net	9,878,403,906	1,160,202,817
Total Non-Current Assets	10,376,934,141	7,524,932,299
TOTAL ASSETS	12,669,771,621	8,865,910,491
DEFERRED OUTFLOWS OF RESOURCES	\$ 873,854,980	\$ 53,654,725

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2018**

	University System of Georgia	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 161,146,607	\$ 65,588,227
Salaries Payable	34,234,924	18,626,912
Benefits Payable	53,986,945	5,858
Contracts Payable	23,128,430	—
Retainage Payable	11,775,797	1,255,140
Interest Payable	656,599	34,443,091
Due to Affiliated Organizations	2,353,421	4,225,186
Due to Component Units	8,218,847	—
Due to Primary Government	—	216,911,224
Advances (Including Tuition and Fees)	238,360,759	123,772,435
Deposits	16,650,806	30,703,912
Deposits Held for Other Organizations	105,833,538	33,904,286
Other Liabilities	3,019,558	14,056,285
Notes and Loans Payable	1,437,861	80,813,416
Lease Purchase Obligations - External	24,707,326	8,267,512
Lease Purchase Obligations - Component Units	78,303,880	—
Revenue Bonds and Notes Payable	—	92,182,022
Liabilities Under Split Interest Agreements	—	2,369,700
Pollution Remediation	441,540	561,929
Claims and Judgments	800,662	1,279,688
Compensated Absences	149,723,938	19,801,373
Total Current Liabilities	914,781,438	748,768,196
Non-Current Liabilities		
Due to Affiliated Organizations	—	6,615,000
Due to Primary Government	—	2,596,400
Due to Other Funds	—	649,103
Advances (Including Tuition and Fees)	—	5,267,196
Other Liabilities	—	31,015,274
Notes and Loans Payable	6,657,407	186,046,479
Lease Purchase Obligations - External	509,037,982	74,659,231
Lease Purchase Obligations - Component Units	2,301,581,506	—
Revenue Bonds and Notes Payable	—	3,149,470,250
Liabilities Under Split Interest Agreements	—	25,685,415
Interest Rate Swap	—	30,176,076
Pollution Remediation	644,300	—
Claims and Judgments	1,005,250	765,928
Compensated Absences	79,296,531	—
Net Other Post Employment Benefits Liability	4,219,725,872	6,165,679
Net Pension Liability	2,865,433,724	—
Total Non-Current Liabilities	9,983,382,572	3,519,112,031
TOTAL LIABILITIES	10,898,164,010	4,267,880,227
DEFERRED INFLOWS OF RESOURCES	\$ 1,038,949,132	\$ 13,940,731

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2018**

	University System of Georgia	Component Units
NET POSITION		
Net Investment in Capital Assets	\$ 6,666,852,110	\$ 379,119,386
Restricted for:		
Nonexpendable	204,781,419	1,744,234,383
Expendable	218,195,579	1,668,806,876
Unrestricted (Deficit)	(5,483,315,649)	845,583,613
TOTAL NET POSITION	\$ 1,606,513,459	\$ 4,637,744,258

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	University System of Georgia	Component Units
OPERATING REVENUES		
Student Tuition and Fees	\$ 2,726,264,061	\$ —
Scholarship Allowance	(636,171,446)	—
Federal Appropriations	20,546,064	—
Grants and Contracts		
Federal	909,779,341	786,239,798
State	300,975,197	9,424,710
Other	598,429,406	324,625,565
Sales and Services	206,733,164	897,507,134
Rents and Royalties	5,713,117	239,050,413
Auxiliary Enterprises		
Residence Halls	335,175,956	—
Bookstore	60,205,984	—
Food Services	199,052,595	2,051,622
Parking/Transportation	90,697,229	—
Health Services	60,069,227	—
Intercollegiate Athletics	134,091,466	145,102,432
Other Organizations	30,099,799	—
Gifts and Contributions	—	186,311,575
Endowment Income	—	11,709,468
Other Operating Revenues	168,748,734	30,670,655
Total Operating Revenues	5,210,409,894	2,632,693,372
OPERATING EXPENSES		
Faculty Salaries	1,673,290,092	—
Staff Salaries	2,141,898,966	317,351,162
Employee Benefits	1,040,109,147	35,930,565
Other Personal Services	15,167,280	146,007,768
Travel	83,614,890	21,216,095
Scholarships and Fellowships	329,592,309	35,598,112
Utilities	185,498,195	8,698,909
Supplies and Other Services	2,276,535,430	1,887,866,213
Depreciation	492,217,725	69,526,145
Total Operating Expenses	8,237,924,034	2,522,194,969
Operating Income (Loss)	\$ (3,027,514,140)	\$ 110,498,403

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	University System of Georgia	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 2,314,491,667	\$ 29,932,138
Grants and Contracts		
Federal	585,154,605	3,083,581
State	13,773,089	3,227,028
Other	91,611,371	—
Gifts	85,985,306	27,553,141
Investment Income	45,118,028	297,873,509
Interest Expense	(144,695,683)	(129,583,788)
Other Nonoperating Revenues (Expenses)	593,629	(7,174,161)
	<hr/>	<hr/>
Net Nonoperating Revenues	2,992,032,012	224,911,448
	<hr/>	<hr/>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(35,482,128)	335,409,851
	<hr/>	<hr/>
Capital Grants and Gifts		
Federal	155,488	—
State	265,811,845	—
Other	21,345,706	10,107,077
Additions to Permanent and Term Endowments	343,615	104,721,950
Special Item	(30,284,826)	(7,885,377)
	<hr/>	<hr/>
Total Other Revenues, Expenses, Gains or Losses	257,371,828	106,943,650
	<hr/>	<hr/>
Change in Net Position	221,889,700	442,353,501
	<hr/>	<hr/>
Net Position, Beginning of Year, As Originally Reported	3,092,594,112	4,230,860,131
Prior Year Adjustments	(1,707,970,353)	(35,469,374)
Net Position, Beginning of Year, Restated	1,384,623,759	4,195,390,757
	<hr/>	<hr/>
Net Position, End of Year	\$ 1,606,513,459	\$ 4,637,744,258
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	University System of Georgia
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 3,301,973,858
Federal Appropriations	19,349,600
Grants and Contracts (Exchange)	1,871,601,627
Payments to Suppliers	(3,427,724,099)
Payments to Employees	(3,830,993,568)
Payments for Scholarships and Fellowships	(329,592,306)
Loans Issued to Students	(11,275,763)
Collection of Loans from Students	13,288,808
Other Receipts	4,917,684
Other Payments	(710)
Net Cash Used by Operating Activities	<u>(2,388,454,869)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	2,314,491,667
Agency Funds Transactions - Receipts	5,381,544,066
Agency Funds Transactions - Disbursements	(5,396,520,550)
Gifts and Grants Received for Other Than Capital Purposes	743,208,655
Transfer of Endowments to Affiliated Organization	(5,875)
Other Noncapital Financing Receipts	29,701,557
Other Noncapital Financing Payments	(17,601,732)
Net Cash Flows Provided by Non-capital Financing Activities	<u>3,054,817,788</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	85,145,057
Proceeds from Sale of Capital Assets	15,960,283
Purchases of Capital Assets	(472,048,791)
Principal Paid on Capital Debt and Leases	(121,967,015)
Interest Paid on Capital Debt and Leases	(148,709,256)
Net Cash Used by Capital and Related Financing Activities	<u>(641,619,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	905,712,013
Investment Income	35,086,769
Purchase of Investments	(917,318,341)
Net Cash Provided by Investing Activities	<u>23,480,441</u>
Net Increase in Cash and Cash Equivalents	48,223,638
Cash and Cash Equivalents - Beginning of Year	<u>1,521,937,801</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,570,161,439</u>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

University System of Georgia

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES:

Operating Loss	\$ (3,027,514,140)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	492,217,725
Operating Expenses Related to Noncash Gifts	6,367,202
Change in Assets and Liabilities:	
Receivables, net	(24,954,234)
Inventories	661,870
Prepaid Items	(8,576,376)
Other Assets	(702,126)
Notes Receivable, Net	3,315,752
Accounts Payable	(7,020,985)
Salaries Payable	7,626,333
Benefits Payable	(13,926,920)
Contracts Payable	962,985
Retainage Payable	228,379
Deposits	380,735
Advances (Including Tuition and Fees)	10,532,619
Other Liabilities	(931,074)
Funds Held for Others	(7,295)
Compensated Absences	8,784,125
Due to Affiliated Organizations	(189,785)
Pollution Remediation	(180,675)
Claims and Judgments	(787,199)
Net Pension Liability	(281,769,074)
Other Post-Employment Benefit Liability	17,272,070
Deferred Inflows of Resources	304,416,518
Deferred Outflows of Resources	125,338,701
Net Cash Used by Operating Activities	<u>\$ (2,388,454,869)</u>

NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND
RELATED FINANCING TRANSACTIONS

Change in Receivable from Grantor Agency Affecting Proceeds of Non-capital Debt	<u>\$ 13,545,833</u>
Change in Non-capital Financing Activities Advances and Deferred Inflows Reducing Proceeds of Grants	<u>\$ 13,659,197</u>
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts	<u>\$ 6,349,973</u>
Change in Capital Financing Activities Receivables Reducing Proceeds of Capital Grants	<u>\$ (1,266,589)</u>
Gifts of Capital Assets	<u>\$ 199,147,677</u>
Loss on Disposal of Capital Assets	<u>\$ (51,081,663)</u>
Adjustments to Capital Asset Beginning Balance Ran Through Current Year Activity	<u>\$ 131,426</u>
Change in Accrual of Capital Asset Related Payables	<u>\$ (1,238,934)</u>
Capital Assets Acquired by Incurring Capital Lease Obligations	<u>\$ (16,134,248)</u>
Change in Lease obligations due to Debt Refunding or Extinguishment of Debt	<u>\$ 23,555,691</u>
Capital Financing Activities Advances and Deferred Inflows	<u>\$ 3,581,921</u>
Amortization of Deferred Gain/Loss of Capital Debt Refunded	<u>\$ 3,498,703</u>
Changed in Accrual of Capital Financing Interest Payable	<u>\$ 2,070,858</u>
Special Item - Capital Asset Transfer	<u>\$ (10,272,842)</u>
Special Item - Capital Asset Transfer Reducing Capital Grants and Gifts	<u>\$ 2,143,660</u>
Unrealized Gain/Loss on Investments	<u>\$ 9,964,498</u>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Early Retirement Plan - Augusta University	Deferred Compensation Fund	Retiree Health Benefit Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 4,865,193	\$ 4,731,089	\$ 16,539,659	\$ 26,135,941
Investments				
Mutual Bond Funds	13,079,318	1,130,861	—	14,210,179
Equity Mutual Funds - Domestic	48,759,325	1,914,911	—	50,674,236
Equity Mutual Funds - International	—	10,944	—	10,944
Equity Securities - Domestic	32,318,283	—	—	32,318,283
Guaranteed Investment Contracts	—	1,061,901	—	1,061,901
Pooled Investment	—	—	64,136,763	64,136,763
Other Investments	—	646,316	—	646,316
Total Assets	99,022,119	9,496,022	80,676,422	189,194,563
LIABILITIES				
Benefits Payable	—	—	4,631,431	4,631,431
NET POSITION				
Held in Trust for:				
Other Employment Benefits	—	9,496,022	—	9,496,022
Pension Benefits	99,022,119	—	—	99,022,119
Other Postemployment Benefits	—	—	76,044,991	76,044,991
Total Net Position	\$ 99,022,119	\$ 9,496,022	\$ 76,044,991	\$ 184,563,132

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Early Retirement Plan - Augusta University	Deferred Compensation Fund	Retiree Health Benefit Fund	Total
ADDITIONS				
Contributions				
Employer	\$ 13,084,672	\$ 1,148,887	\$ 158,419,937	\$ 172,653,496
Investment Income				
Dividends and Interest	1,814,737	491,952	1,000,224	3,306,913
Net Appreciation in Investments				
Reported at Fair Value	7,666,447	401,174	(158,389)	7,909,232
Less: Investment Expense	(166,966)	—	(40,519)	(207,485)
Total Additions	22,398,890	2,042,013	159,221,253	183,662,156
DEDUCTIONS				
Benefits	13,784,836	—	86,808,731	100,593,567
Premium Expense	—	—	3,739,929	3,739,929
Withdrawal	—	139,810	—	139,810
Administrative expense	—	—	484,825	484,825
Total Deductions	13,784,836	139,810	91,033,485	104,958,131
Change in Net Position Held in Trust for Pension and Other Employee Benefits	8,614,054	1,902,203	68,187,768	78,704,025
Net Position, Beginning of Year	90,408,065	7,593,819	7,857,223	105,859,107
Net Position, End of Year	<u>\$ 99,022,119</u>	<u>\$ 9,496,022</u>	<u>\$ 76,044,991</u>	<u>\$ 184,563,132</u>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	AU Health Systems, Inc.	Georgia Advanced Technology Ventures, Inc.	Georgia College & State University Foundation, Inc.	Georgia Gwinnett College Foundation Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 3,599,289	\$ 4,381,937	\$ 62,015,768	\$ 5,422,533	\$ 3,257,017	\$ 613,210
Cash and Cash Equivalents (Externally Restricted)	3,253,919	—	4,196,045	92,960	—	—
Short-term Investments	1,482,318	—	37,961,738	—	—	—
Short-term Investments (Externally Restricted)	—	—	3,671,699	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	4,154,994	—	—	—	—
Affiliated Organizations	443,489	—	138,785	—	—	—
Component Units	—	—	—	—	—	—
Primary Government (Institution)	—	7,500	4,620,932	—	—	4,548
Pledges and Contributions	156,166	—	—	156,785	304,457	143,021
Other	52,991	—	149,885,409	98,896	1,295	59,381
Notes Receivable, net	—	—	—	15,668	—	—
Investment in Capital Leases - Primary Government	1,119,649	—	1,186,728	—	—	4,495,046
Investment in Capital Leases - Other	—	—	—	—	—	—
Inventories	—	—	19,105,346	—	—	—
Prepaid Items	—	—	17,410,195	27,948	30,002	—
Other Assets	—	—	—	227,214	—	—
Total Current Assets	<u>10,107,821</u>	<u>8,544,431</u>	<u>300,192,645</u>	<u>6,042,004</u>	<u>3,592,771</u>	<u>5,315,206</u>
Non-Current Assets						
Accounts Receivable, net						
Affiliated Organizations	—	—	—	—	—	—
Component Units	—	—	—	—	—	—
Pledges and Contributions	166,876	—	—	598,428	361,972	208,920
Other	—	—	14,966,249	—	—	—
Investments	8,065,133	4,198,751	108,259,000	15,000	37,828,406	5,814,352
Notes Receivable, net	—	—	—	—	—	—
Investment in Capital Leases - Primary Government	23,975,501	—	22,519,524	—	84,779,839	161,166,269
Investment in Capital Leases - Other	—	—	—	—	—	—
Other Assets	749,766	—	5,518,129	—	945,869	10,857
Non-current Cash (Externally Restricted)	—	—	—	38,304,169	—	11,730,393
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	20,046,067	—	—	—	13,159,200	—
Capital Assets, net	—	—	256,138,375	115,225,475	1,216,075	8,262,388
Total Non-Current Assets	<u>53,003,343</u>	<u>4,198,751</u>	<u>407,401,277</u>	<u>154,143,072</u>	<u>138,291,361</u>	<u>187,193,179</u>
TOTAL ASSETS	<u>63,111,164</u>	<u>12,743,182</u>	<u>707,593,922</u>	<u>160,185,076</u>	<u>141,884,132</u>	<u>192,508,385</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	AU Health Systems, Inc.	Georgia Advanced Technology Ventures, Inc.	Georgia College & State University Foundation, Inc.	Georgia Gwinnett College Foundation Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 467,473	\$ 37,255	\$ 42,051,559	\$ 1,024,191	\$ 1,021,259	\$ 3,404,499
Salaries Payable	—	—	11,655,786	—	—	—
Benefits Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Interest Payable	—	—	—	—	—	—
Due to Affiliated Organizations	428,576	—	—	777,751	1,966,905	—
Due to Component Units	—	—	163,152	566,035	—	—
Due to Primary Government	178,289	4,161,470	35,692,611	—	34,041	52,624
Advances (Including Tuition and Fees)	49,561	—	—	2,270,401	—	618,526
Deposits	—	—	—	175,193	—	—
Deposits Held for Other Organizations	—	—	—	—	3,404,151	—
Other Liabilities	—	18,536	7,850,066	134,360	—	—
Notes and Loans Payable	—	—	3,254,167	221,023	—	117,646
Lease Purchase Obligations - External	—	—	5,469,281	1,708,100	—	—
Revenue Bond/Mortgage Payable	960,000	—	2,945,000	—	2,655,000	3,575,000
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Pollution Remediation	—	—	—	561,929	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	19,392,373	—	—	—
Total Current Liabilities	2,083,899	4,217,261	128,473,995	7,438,983	9,081,356	7,768,295
Non-Current Liabilities						
Due to Affiliated Organizations	—	—	—	—	—	—
Due to Component Units	—	—	—	587,877	—	—
Due to Primary Government	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	1,876,072	—	—
Other Liabilities	—	—	16,348,297	—	—	—
Notes and Loans Payable	—	—	60,595,833	6,571,364	—	2,151,394
Lease Purchase Obligations - External	—	—	17,777,061	52,804,919	—	—
Revenue Bonds/Mortgage Payable	23,118,925	—	129,102,958	61,658,199	92,186,880	168,713,233
Liabilities Under Split Interest Agreements	—	—	—	—	808,641	—
Interest Rate Swap	—	—	14,818,596	—	5,479,942	—
Claims and Judgments	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	6,165,679	—	—	—
Total Non-Current Liabilities	23,118,925	—	244,808,424	123,498,431	98,475,463	170,864,627
TOTAL LIABILITIES	25,202,824	4,217,261	373,282,419	130,937,414	107,556,819	178,632,922
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	—	—	87,762,033	29,412,127	1,216,075	8,262,388
Restricted for:						
Nonexpendable	19,392,067	—	—	—	19,572,735	1,468,963
Expendable	15,515,865	69,973	—	7,128,464	9,193,328	1,302,018
Unrestricted	3,000,408	8,455,948	246,549,470	(7,292,929)	4,345,175	2,842,094
TOTAL NET POSITION	\$ 37,908,340	\$ 8,525,921	\$ 334,311,503	\$ 29,247,662	\$ 34,327,313	\$ 13,875,463

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	Georgia Health Sciences Foundation, Inc.	Georgia Southern University Housing Foundation, Inc.	Georgia State University Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.	Georgia Tech Athletic Association
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 323,160	\$ 2,288,634	\$ 3,302,696	\$ 5,866,847	\$ 11,607,729	\$ 7,935,052
Cash and Cash Equivalents (Externally Restricted)	—	—	—	22,354,408	2,842,889	—
Short-term Investments	10,848,632	5,997,280	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
Affiliated Organizations	—	—	—	—	—	1,034,347
Component Units	163,152	—	—	—	54,180	—
Primary Government (Institution)	—	—	—	—	2,546,660	—
Pledges and Contributions	3,358,852	—	12,921,741	5,798,990	—	3,327,816
Other	65,793	32,504	488,536	509,290	16,858,655	3,871,523
Notes Receivable, net	—	—	—	—	—	—
Investment in Capital Leases - Primary Government	—	8,847,508	—	4,817,806	2,309,831	—
Investment in Capital Leases - Other	—	—	—	—	—	—
Inventories	—	—	—	—	—	—
Prepaid Items	42,103	73,197	263,403	—	13,873,078	1,203,090
Other Assets	—	—	—	—	—	—
Total Current Assets	<u>14,801,692</u>	<u>17,239,123</u>	<u>16,976,376</u>	<u>39,347,341</u>	<u>50,093,022</u>	<u>17,371,828</u>
Non-Current Assets						
Accounts Receivable, net						
Affiliated Organizations	—	—	—	—	—	—
Component Units	—	—	—	—	—	—
Pledges and Contributions	137,670	—	—	8,342,840	—	4,529,908
Other	—	—	—	—	—	—
Investments	2,491,483	—	—	238,909,631	8,954,655	109,095,500
Notes Receivable, net	—	—	—	—	—	—
Investment in Capital Leases - Primary Government	—	213,117,609	—	117,046,402	70,056,371	—
Investment in Capital Leases - Other	—	—	—	—	—	—
Other Assets	—	—	—	3,864,055	—	723,496
Non-current Cash (Externally Restricted)	—	31,879,724	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	2,513,812	—	—	—	—	—
Capital Assets, net	2,330,775	1,620,000	254,088	15,324,667	8,555,539	164,171,096
Total Non-Current Assets	<u>7,473,740</u>	<u>246,617,333</u>	<u>254,088</u>	<u>383,487,595</u>	<u>87,566,565</u>	<u>278,520,000</u>
TOTAL ASSETS	<u>22,275,432</u>	<u>263,856,456</u>	<u>17,230,464</u>	<u>422,834,936</u>	<u>137,659,587</u>	<u>295,891,828</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,355,807</u>	<u>\$ 16,859,114</u>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	Georgia Health Sciences Foundation, Inc.	Georgia Southern University Housing Foundation, Inc.	Georgia State University Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.	Georgia Tech Athletic Association
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 72,180	\$ 3,921,771	\$ 610,494	\$ 3,908,976	\$ 1,955,440	\$ 4,733,678
Salaries Payable	—	—	17,750	—	—	—
Benefits Payable	—	—	5,858	—	—	—
Retainage Payable	—	—	—	—	—	—
Interest Payable	—	—	—	—	—	—
Due to Affiliated Organizations	17,607	—	—	—	—	—
Due to Component Units	—	—	—	—	54,180	—
Due to Primary Government	339,033	—	—	—	22,633,382	1,808,231
Advances (Including Tuition and Fees)	526,887	566,562	1,431,256	1,250,000	—	354,537
Deposits	—	—	—	—	—	10,471,740
Deposits Held for Other Organizations	—	—	—	2,339,862	—	—
Other Liabilities	—	—	3,296	912,043	—	—
Notes and Loans Payable	—	—	—	—	—	945,963
Lease Purchase Obligations - External	—	—	18,829	617,900	—	69,087
Revenue Bond/Mortgage Payable	—	7,985,000	—	5,145,000	—	1,145,000
Liabilities Under Split Interest Agreements	90,485	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	1,279,688
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	1,046,192	12,473,333	2,087,483	14,173,781	24,643,002	20,807,924
Non-Current Liabilities						
Due to Affiliated Organizations	—	—	—	—	—	—
Due to Component Units	—	—	—	—	—	—
Due to Primary Government	—	2,596,400	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	—
Other Liabilities	—	10,558	—	5,434,496	—	—
Notes and Loans Payable	—	—	—	—	—	4,136,573
Lease Purchase Obligations - External	—	—	15,141	—	—	51,815
Revenue Bonds/Mortgage Payable	—	218,090,508	—	131,052,210	81,081,458	214,850,250
Liabilities Under Split Interest Agreements	187,097	—	—	1,714,796	—	—
Interest Rate Swap	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	765,928
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Total Non-Current Liabilities	187,097	220,697,466	15,141	138,201,502	81,081,458	219,804,566
TOTAL LIABILITIES	1,233,289	233,170,799	2,102,624	152,375,283	105,724,460	240,612,490
DEFERRED INFLOWS OF RESOURCES	—	75,231	—	—	13,865,500	—
NET POSITION						
Net Investment in Capital Assets	2,330,775	1,620,000	220,118	15,324,667	8,555,539	(40,473,605)
Restricted for:						
Nonexpendable	2,582,665	—	—	164,209,327	—	37,154,723
Expendable	13,909,247	31,879,724	2,650,111	64,799,156	11,646,077	71,476,970
Unrestricted	2,219,456	(2,889,298)	12,257,611	26,126,503	6,223,818	3,980,364
TOTAL NET POSITION	\$ 21,042,143	\$ 30,610,426	\$ 15,127,840	\$ 270,459,653	\$ 26,425,434	\$ 72,138,452

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	Georgia Tech Facilities, Inc.	Georgia Tech Foundation, Inc.	Georgia Tech Research Corporation	Kennesaw State University Foundation, Inc.	Medical College of Georgia Foundation	Middle Georgia State University Real Estate Foundation, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 7,332,379	\$ 9,910,000	\$ 76,115,265	\$ 17,918,782	\$ 1,425,386	\$ 2,185,769
Cash and Cash Equivalents (Externally Restricted)	28,177,571	11,757,000	—	—	—	—
Short-term Investments	—	—	—	12,349,804	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
Affiliated Organizations	1,591,980	—	—	—	—	—
Component Units	600,000	—	—	—	—	—
Primary Government (Institution)	—	—	—	346,542	—	—
Pledges and Contributions	—	22,493,000	—	3,493,880	597,409	—
Other	—	24,041,000	170,816,370	300,459	—	61,394,127
Notes Receivable, net	—	—	—	—	—	—
Investment in Capital Leases - Primary Government	9,498,087	6,987,880	—	9,234,713	—	747,495
Investment in Capital Leases - Other	—	—	346,304	—	—	—
Inventories	—	—	—	—	—	—
Prepaid Items	256,189	—	503,747	226,338	—	7,275
Other Assets	—	—	—	—	—	—
Total Current Assets	<u>47,456,206</u>	<u>75,188,880</u>	<u>247,781,686</u>	<u>43,870,518</u>	<u>2,022,795</u>	<u>64,334,666</u>
Non-Current Assets						
Accounts Receivable, net						
Affiliated Organizations	6,167,186	—	—	—	—	—
Component Units	553,912	—	—	—	—	—
Pledges and Contributions	—	82,142,000	—	5,900,843	932,102	—
Other	—	—	—	—	16,588	—
Investments	—	1,095,524,000	63	15,095,722	120,894,345	—
Notes Receivable, net	3,643	—	—	—	—	—
Investment in Capital Leases - Primary Government	215,972,123	110,230,281	—	219,778,178	—	32,462,372
Investment in Capital Leases - Other	—	—	4,048,306	—	—	—
Other Assets	3,487,500	24,783,000	—	—	264,596	—
Non-current Cash (Externally Restricted)	32,883,455	—	—	53,669,323	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	3,434,162
Investments (Externally Restricted)	—	554,025,000	—	35,739,920	129,629,157	—
Capital Assets, net	13,820,576	111,683,000	934,597	87,213,893	9,934,459	789,332
Total Non-Current Assets	<u>272,888,395</u>	<u>1,978,387,281</u>	<u>4,982,966</u>	<u>417,397,879</u>	<u>261,671,247</u>	<u>36,685,866</u>
TOTAL ASSETS	<u>320,344,601</u>	<u>2,053,576,161</u>	<u>252,764,652</u>	<u>461,268,397</u>	<u>263,694,042</u>	<u>101,020,532</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	Georgia Tech Facilities, Inc.	Georgia Tech Foundation, Inc.	Georgia Tech Research Corporation	Kennesaw State University Foundation, Inc.	Medical College of Georgia Foundation	Middle Georgia State University Real Estate Foundation, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 5,735,907	\$ 3,077,000	\$ 296	\$ 9,473,772	\$ —	\$ 2,258,105
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Retainage Payable	1,255,140	—	—	—	—	—
Interest Payable	—	—	—	—	—	—
Due to Affiliated Organizations	1,034,347	—	—	—	—	—
Due to Component Units	—	—	—	—	—	—
Due to Primary Government	—	7,249,000	97,118,000	1,599,219	104,503	—
Advances (Including Tuition and Fees)	1,235,883	21,756,000	53,742,326	1,068,340	—	—
Deposits	—	191,000	—	29,678	—	—
Deposits Held for Other Organizations	—	—	28,158,408	—	—	—
Other Liabilities	—	—	5,071,544	—	66,440	—
Notes and Loans Payable	—	20,733,000	—	—	5,000,000	773,000
Lease Purchase Obligations - External	—	—	384,315	—	—	—
Revenue Bond/Mortgage Payable	11,403,267	11,425,000	—	12,715,000	—	1,710,000
Liabilities Under Split Interest Agreements	—	1,465,000	—	35,782	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	409,000	—	—	—	—
Total Current Liabilities	20,664,544	66,305,000	184,474,889	24,921,791	5,170,943	4,741,105
Non-Current Liabilities						
Due to Affiliated Organizations	—	6,615,000	—	—	—	—
Due to Component Units	—	—	—	—	—	—
Due to Primary Government	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Advances (Including Tuition and Fees)	1,587,448	—	—	—	—	—
Other Liabilities	—	8,842,000	—	—	—	—
Notes and Loans Payable	—	46,442,000	—	—	—	—
Lease Purchase Obligations - External	—	—	4,010,295	—	—	—
Revenue Bonds/Mortgage Payable	252,845,825	236,889,000	—	362,381,063	—	89,584,844
Liabilities Under Split Interest Agreements	—	14,062,000	—	55,941	869,766	—
Interest Rate Swap	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Total Non-Current Liabilities	254,433,273	312,850,000	4,010,295	362,437,004	869,766	89,584,844
TOTAL LIABILITIES	275,097,817	379,155,000	188,485,184	387,358,795	6,040,709	94,325,949
DEFERRED INFLOWS OF RESOURCES						
NET POSITION						
Net Investment in Capital Assets	11,625,686	48,844,000	934,597	(34,972,296)	4,934,459	789,332
Restricted for:						
Nonexpendable	—	734,346,000	—	39,189,061	129,629,157	—
Expendable	27,581,430	786,558,000	—	23,557,184	87,382,351	6,334,271
Unrestricted	6,039,668	104,673,161	63,344,871	46,135,653	35,707,366	(429,020)
TOTAL NET POSITION	\$ 45,246,784	\$ 1,674,421,161	\$ 64,279,468	\$ 73,909,602	\$ 257,653,333	\$ 6,694,583

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	University of Georgia Athletic Association, Inc.	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	UWG Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 56,249,118	\$ 2,018,815	\$ 33,654,301	\$ 2,463,567	\$ 882,631	\$ 692,107
Cash and Cash Equivalents (Externally Restricted)	—	15,430,636	—	3,972,107	4,855,656	13,224,835
Short-term Investments	—	14,066,020	—	—	740,517	—
Short-term Investments (Externally Restricted)	—	107,512,399	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
Affiliated Organizations	—	—	—	—	—	1,964,907
Component Units	69,857	—	—	—	—	—
Primary Government (Institution)	—	—	692,665	—	—	—
Pledges and Contributions	—	23,975,890	—	—	—	45,276
Other	3,152,970	2,184,582	30,723,081	—	—	—
Notes Receivable, net	—	—	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	8,121,304	3,929,655	2,659,246	9,533,603
Investment in Capital Leases - Other	—	—	—	—	—	—
Inventories	—	—	—	—	—	—
Prepaid Items	616,863	372,179	218,013	132,313	—	—
Other Assets	—	—	19,836,301	—	—	—
Total Current Assets	<u>60,088,808</u>	<u>165,560,521</u>	<u>93,245,665</u>	<u>10,497,642</u>	<u>9,138,050</u>	<u>25,460,728</u>
Non-Current Assets						
Accounts Receivable, net						
Affiliated Organizations	—	—	—	—	—	—
Component Units	—	—	—	—	—	—
Pledges and Contributions	—	45,461,172	—	—	—	—
Other	—	—	—	—	—	—
Investments	53,473,069	116,124,963	49,419,215	—	248,305	5,458,580
Notes Receivable, net	—	—	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	231,616,248	127,710,333	114,180,350	393,272,230
Investment in Capital Leases - Other	—	—	—	—	—	—
Other Assets	383,531	14,930,888	824,360	—	—	1,865
Non-current Cash (Externally Restricted)	—	—	8,192,909	3,969,228	3,572,705	9,520,925
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	—	902,418,572	—	—	—	—
Capital Assets, net	316,714,200	23,642,386	19,406,427	2,738,131	—	—
Total Non-Current Assets	<u>370,570,800</u>	<u>1,102,577,981</u>	<u>309,459,159</u>	<u>134,417,692</u>	<u>118,001,360</u>	<u>408,253,600</u>
TOTAL ASSETS	<u>430,659,608</u>	<u>1,268,138,502</u>	<u>402,704,824</u>	<u>144,915,334</u>	<u>127,139,410</u>	<u>433,714,328</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,353,531</u>	<u>\$ —</u>	<u>\$ 15,086,273</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	University of Georgia Athletic Association, Inc.	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	UWG Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 5,663,152	\$ 1,713,310	\$ 1,835,871	\$ 2,692,247	\$ 1,069,570	\$ 906,895
Salaries Payable	6,953,376	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Interest Payable	—	—	—	—	—	—
Due to Affiliated Organizations	—	—	9,495	—	—	—
Due to Component Units	—	—	—	—	—	—
Due to Primary Government	6,936,673	2,539,952	36,464,196	—	—	—
Advances (Including Tuition and Fees)	34,667,957	1,753,250	2,066,732	414,217	—	—
Deposits	—	—	19,836,301	—	—	—
Deposits Held for Other Organizations	—	—	—	—	—	1,865
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	—	497,395	8,516,222	405,000	—	40,350,000
Lease Purchase Obligations - External	—	—	—	—	—	—
Revenue Bond/Mortgage Payable	5,495,000	—	9,145,000	1,338,755	3,015,000	7,545,000
Liabilities Under Split Interest Agreements	—	778,433	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	59,716,158	7,282,340	77,873,817	4,850,219	4,084,570	48,803,760
Non-Current Liabilities						
Due to Affiliated Organizations	—	—	—	—	—	—
Due to Component Units	—	—	—	—	—	—
Due to Primary Government	—	—	—	—	—	—
Due to Other Funds	—	649,103	—	—	—	—
Advances (Including Tuition and Fees)	—	—	1,803,676	—	—	—
Other Liabilities	379,923	—	—	—	—	—
Notes and Loans Payable	15,836,592	15,011,522	—	1,215,000	—	34,086,201
Lease Purchase Obligations - External	—	—	—	—	—	—
Revenue Bonds/Mortgage Payable	95,207,340	—	245,099,853	130,793,255	118,309,422	335,630,633
Liabilities Under Split Interest Agreements	—	7,987,174	—	—	—	—
Interest Rate Swap	2,784,451	1,269,901	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Total Non-Current Liabilities	114,208,306	24,917,700	246,903,529	132,008,255	118,309,422	369,716,834
TOTAL LIABILITIES	173,924,464	32,200,040	324,777,346	136,858,474	122,393,992	418,520,594
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	210,744,348	8,133,469	10,890,205	2,738,131	—	—
Restricted for:						
Nonexpendable	—	596,270,687	—	—	—	418,998
Expendable	—	505,135,826	2,427,821	—	—	259,060
Unrestricted	59,344,327	126,398,480	79,695,725	5,318,729	4,745,418	14,515,676
TOTAL NET POSITION	\$ 270,088,675	\$ 1,235,938,462	\$ 93,013,751	\$ 8,056,860	\$ 4,745,418	\$ 15,193,734

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	VSU Auxiliary Services Real Estate Foundation, Inc.	Elimination/ Consolidation Entries	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,463,913	\$ —	\$ 323,925,905
Cash and Cash Equivalents (Externally Restricted)	—	—	110,158,026
Short-term Investments	—	—	83,446,309
Short-term Investments (Externally Restricted)	—	—	111,184,098
Accounts Receivable, net			
Federal Financial Assistance	—	—	4,154,994
Affiliated Organizations	—	—	5,173,508
Component Units	—	(887,189)	—
Primary Government (Institution)	—	—	8,218,847
Pledges and Contributions	—	—	76,773,283
Other	301,738	—	464,838,600
Notes Receivable, net	—	—	15,668
Investment in Capital Leases - Primary Government	4,815,329	—	78,303,880
Investment in Capital Leases - Other	—	—	346,304
Inventories	—	—	19,105,346
Prepaid Items	13,976	—	35,269,909
Other Assets	—	—	20,063,515
Total Current Assets	<u>7,594,956</u>	<u>(887,189)</u>	<u>1,340,978,192</u>
Non-Current Assets			
Accounts Receivable, net			
Affiliated Organizations	—	—	6,167,186
Component Units	—	(553,912)	—
Pledges and Contributions	—	(12,921,741)	135,860,990
Other	—	(9,495)	14,973,342
Investments	—	—	1,979,870,173
Notes Receivable, net	—	—	3,643
Investment in Capital Leases - Primary Government	163,697,876	—	2,301,581,506
Investment in Capital Leases - Other	—	—	4,048,306
Other Assets	—	—	56,487,912
Non-current Cash (Externally Restricted)	—	—	193,722,831
Short-term Investments (Externally Restricted)	—	—	3,434,162
Investments (Externally Restricted)	11,047,703	—	1,668,579,431
Capital Assets, net	227,338	—	1,160,202,817
Total Non-Current Assets	<u>174,972,917</u>	<u>(13,485,148)</u>	<u>7,524,932,299</u>
TOTAL ASSETS	<u>182,567,873</u>	<u>(14,372,337)</u>	<u>8,865,910,491</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 53,654,725</u>

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018**

	VSU Auxiliary Services Real Estate Foundation	Elimination/ Consolidation Entries	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 2,466,275	\$ (34,512,948)	\$ 65,588,227
Salaries Payable	—	—	18,626,912
Benefits Payable	—	—	5,858
Retainage Payable	—	—	1,255,140
Interest Payable	—	34,443,091	34,443,091
Due to Affiliated Organizations	—	(9,495)	4,225,186
Due to Component Units	—	(783,367)	—
Due to Primary Government	—	—	216,911,224
Advances (Including Tuition and Fees)	—	—	123,772,435
Deposits	—	—	30,703,912
Deposits Held for Other Organizations	—	—	33,904,286
Other Liabilities	—	—	14,056,285
Notes and Loans Payable	—	—	80,813,416
Lease Purchase Obligations - External	—	—	8,267,512
Revenue Bond/Mortgage Payable	3,980,000	—	92,182,022
Liabilities Under Split Interest Agreements	—	—	2,369,700
Pollution Remediation	—	—	561,929
Claims and Judgments	—	—	1,279,688
Compensated Absences	—	—	19,801,373
Total Current Liabilities	6,446,275	(862,719)	748,768,196
Non-Current Liabilities			
Due to Affiliated Organizations	—	—	6,615,000
Due to Component Units	—	(587,877)	—
Due to Primary Government	—	—	2,596,400
Due to Other Funds	—	—	649,103
Advances (Including Tuition and Fees)	—	—	5,267,196
Other Liabilities	—	—	31,015,274
Notes and Loans Payable	—	—	186,046,479
Lease Purchase Obligations - External	—	—	74,659,231
Revenue Bonds/Mortgage Payable	162,874,394	—	3,149,470,250
Liabilities Under Split Interest Agreements	—	—	25,685,415
Interest Rate Swap	5,823,186	—	30,176,076
Claims and Judgments	—	—	765,928
Net Other Post Employment Benefits Liability	—	—	6,165,679
Total Non-Current Liabilities	168,697,580	(587,877)	3,519,112,031
TOTAL LIABILITIES	175,143,855	(1,450,596)	4,267,880,227
DEFERRED INFLOWS OF RESOURCES			
	—	—	13,940,731
NET POSITION			
Net Investment in Capital Assets	227,338	—	379,119,386
Restricted for:			
Nonexpendable	—	—	1,744,234,383
Expendable	—	—	1,668,806,876
Unrestricted	7,196,680	(12,921,741)	845,583,613
TOTAL NET POSITION	\$ 7,424,018	\$ (12,921,741)	\$ 4,637,744,258

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Augusta University Foundation, Inc.	Augusta University Research Foundation, Inc.	AU Health Systems, Inc.	Georgia Advanced Technology Ventures, Inc.	Georgia College & State University Foundation, Inc.	Georgia Gwinnett College Foundation Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ 50,592,029	\$ 4,659,630	\$ —	\$ —	\$ —
State	—	—	—	—	—	—
Other	43,920	10,156,955	—	28,609	—	—
Sales and Services	789,046	—	817,829,308	364,193	—	82,677
Rents and Royalties	174,859	351,258	986,098	12,927,160	5,150,235	9,233,008
Auxiliary Enterprises						
Food Services	—	—	2,051,622	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	1,375,772	—	—	267,720	4,386,738	1,589,988
Endowment Income	912,577	—	—	—	2,443,949	—
Other Operating Revenues	212,272	—	—	256,876	151,110	—
Total Operating Revenues	3,508,446	61,100,242	825,526,658	13,844,558	12,132,032	10,905,673
OPERATING EXPENSES						
Staff Salaries	—	—	278,131,467	288,973	196,359	—
Employee Benefits	—	—	34,129,281	—	—	—
Other Personal Services	—	—	142,150,598	—	—	—
Travel	—	—	2,775,744	—	90,380	—
Scholarships and Fellowships	656,961	—	1,378,740	—	820,559	249,979
Utilities	—	—	4,399,194	34,476	60,652	—
Supplies and Other Services	1,864,933	61,088,356	309,801,866	6,773,651	4,902,767	1,697,582
Depreciation	6,240	—	36,175,226	2,920,645	55,157	457
Total Operating Expenses	2,528,134	61,088,356	808,942,116	10,017,745	6,125,874	1,948,018
Operating Income (Loss)	\$ 980,312	\$ 11,886	\$ 16,584,542	\$ 3,826,813	\$ 6,006,158	\$ 8,957,655

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Augusta University Foundation, Inc.	Augusta University Research Foundation, Inc.	AU Health Systems, Inc.	Georgia Advanced Technology Ventures, Inc.	Georgia College & State University Foundation, Inc.	Georgia Gwinnett College Foundation Inc.
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	\$ —	\$ —	\$ 29,932,138	\$ —	\$ —	\$ —
Grants and Contracts						
Federal	—	—	3,083,581	—	—	—
State	—	—	3,227,028	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	1,758,828	68,514	11,067,969	48,742	4,789,364	330,169
Interest Expense	(879,114)	—	(8,513,680)	(3,230,936)	(4,192,793)	(5,261,844)
Other Nonoperating Revenues (Expenses)	(353,408)	(18,092)	(7,033,260)	—	(1,979,146)	2,946,555
Net Nonoperating Revenues	526,306	50,422	31,763,776	(3,182,194)	(1,382,575)	(1,985,120)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	1,506,618	62,308	48,348,318	644,619	4,623,583	6,972,535
Capital Grants and Gifts						
Other	—	—	(185,163)	—	—	—
Additions to Permanent and Term Endowments	587,066	—	—	—	1,185,205	162,420
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	587,066	—	(185,163)	—	1,185,205	162,420
Change in Net Position	2,093,684	62,308	48,163,155	644,619	5,808,788	7,134,955
Net Position, Beginning of Year, Restated	35,814,656	8,463,613	286,148,348	28,603,043	28,518,525	6,740,508
Net Position, End of Year	\$ 37,908,340	\$ 8,525,921	\$ 334,311,503	\$ 29,247,662	\$ 34,327,313	\$ 13,875,463

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia Health Sciences Foundation, Inc.	Georgia Southern University Housing Foundation, Inc.	Georgia State University Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.	Georgia Tech Athletic Association
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ 74,603,709	\$ —
State	—	—	—	—	1,537,339	—
Other	1,778,010	—	—	—	18,467,719	—
Sales and Services	353,928	—	3,000,241	—	—	64,095,182
Rents and Royalties	12,300	9,899,969	640,717	17,375,554	93,996	9,442,347
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	3,260,426	—	36,074,116	22,247,918	—	2,745,332
Endowment Income	—	—	—	6,371,836	—	—
Other Operating Revenues	3,195,286	7,637,541	4,052,973	1,544,394	3,032,914	—
Total Operating Revenues	8,599,950	17,537,510	43,768,047	47,539,702	97,735,677	76,282,861
OPERATING EXPENSES						
Staff Salaries	—	—	10,553,507	2,251,315	—	—
Employee Benefits	—	—	279,987	—	—	—
Other Personal Services	2,862,971	329,635	—	—	—	—
Travel	189,071	—	379,662	1,076,496	97,771	4,450,024
Scholarships and Fellowships	1,007,122	—	7,459,242	7,395,350	—	11,472,295
Utilities	—	—	141,190	—	7,720	—
Supplies and Other Services	5,988,505	4,199,053	13,722,507	28,398,259	93,899,206	53,116,718
Depreciation	—	—	70,338	591,008	708,822	7,496,855
Total Operating Expenses	10,047,669	4,528,688	32,606,433	39,712,428	94,713,519	76,535,892
Operating Income (Loss)	\$ (1,447,719)	\$ 13,008,822	\$ 11,161,614	\$ 7,827,274	\$ 3,022,158	\$ (253,031)

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia Health Sciences Foundation, Inc.	Georgia Southern University Housing Foundation, Inc.	Georgia State University Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation, Inc.	Georgia Tech Athletic Association
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Gifts	—	—	—	—	(281,669)	813,928
Investment Income	521,623	587,495	—	8,147,416	741,809	9,868,946
Interest Expense	(8,769)	(8,262,293)	—	(1,381,634)	(2,687,677)	(12,540,627)
Other Nonoperating Revenues (Expenses)	—	—	—	—	663,433	—
Net Nonoperating Revenues	512,854	(7,674,798)	—	6,765,782	(1,564,104)	(1,857,753)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(934,865)	5,334,024	11,161,614	14,593,056	1,458,054	(2,110,784)
Capital Grants and Gifts						
Other	—	—	—	—	—	10,292,240
Additions to Permanent and Term Endowments	158,623	—	—	—	—	2,618,107
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	158,623	—	—	—	—	12,910,347
Change in Net Position	(776,242)	5,334,024	11,161,614	14,593,056	1,458,054	10,799,563
Net Position, Beginning of Year, Restated	21,818,385	25,276,402	3,966,226	255,866,597	24,967,380	61,338,889
Net Position, End of Year	\$ 21,042,143	\$ 30,610,426	\$ 15,127,840	\$ 270,459,653	\$ 26,425,434	\$ 72,138,452

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia Tech Facilities, Inc.	Georgia Tech Foundation, Inc.	Georgia Tech Research Corporation	Kennesaw State University Foundation, Inc.	Medical College of Georgia Foundation	Middle Georgia State University Real Estate Foundation, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ 656,384,430	\$ —	\$ —	\$ —
State	—	—	7,887,371	—	—	—
Other	23,146,940	—	90,935,250	—	—	—
Sales and Services	128,535	19,000	—	518,047	—	—
Rents and Royalties	14,125,565	29,637,000	13,505,198	44,537,667	54,287	4,987,537
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	—	41,263,000	—	8,189,839	2,085,115	—
Endowment Income	—	—	—	1,458,003	—	—
Other Operating Revenues	29,205	—	—	—	1,208,708	6,041
Total Operating Revenues	37,430,245	70,919,000	768,712,249	54,703,556	3,348,110	4,993,578
OPERATING EXPENSES						
Staff Salaries	—	4,410,000	—	2,560,101	784,356	—
Employee Benefits	—	897,000	—	—	128,677	—
Other Personal Services	—	603,000	—	61,564	—	—
Travel	—	123,000	117,632	14,499	33,306	—
Scholarships and Fellowships	—	—	—	1,717,943	1,804,722	—
Utilities	193,750	744,000	—	3,089,441	28,486	—
Supplies and Other Services	904,578	101,601,000	760,462,694	14,726,215	6,916,596	8,592,512
Depreciation	60,000	4,107,000	308,743	5,117,855	57,305	—
Total Operating Expenses	1,158,328	112,485,000	760,889,069	27,287,618	9,753,448	8,592,512
Operating Income (Loss)	\$ 36,271,917	\$ (41,566,000)	\$ 7,823,180	\$ 27,415,938	\$ (6,405,338)	\$ (3,598,934)

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia Tech Facilities, Inc.	Georgia Tech Foundation, Inc.	Georgia Tech Research Corporation	Kennesaw State University Foundation, Inc.	Medical College of Georgia Foundation	Middle Georgia State University Real Estate Foundation, Inc.
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	216,576	147,748,161	299,668	2,397,293	19,808,102	300,970
Interest Expense	(12,417,915)	(12,244,000)	—	(14,203,670)	—	(4,475,087)
Other Nonoperating Revenues (Expenses)	—	—	36,447	—	—	—
Net Nonoperating Revenues	(12,201,339)	135,504,161	336,115	(11,806,377)	19,808,102	(4,174,117)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	24,070,578	93,938,161	8,159,295	15,609,561	13,402,764	(7,773,051)
Capital Grants and Gifts						
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	—	39,690,000	—	2,479,301	1,864,565	—
Special Item	—	—	—	(4,795,955)	—	—
Total Other Revenues, Expenses, Gains or Losses	—	39,690,000	—	(2,316,654)	1,864,565	—
Change in Net Position	24,070,578	133,628,161	8,159,295	13,292,907	15,267,329	(7,773,051)
Net Position, Beginning of Year, Restated	21,176,206	1,540,793,000	56,120,173	60,616,695	242,386,004	14,467,634
Net Position, End of Year	\$ 45,246,784	\$ 1,674,421,161	\$ 64,279,468	\$ 73,909,602	\$ 257,653,333	\$ 6,694,583

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	University of Georgia Athletic Association, Inc.	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	UWG Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State	—	—	—	—	—	—
Other	—	—	180,061,965	—	—	6,197
Sales and Services	—	9,664,456	—	—	—	662,521
Rents and Royalties	—	1,161,698	27,740,812	8,438,432	5,853,649	16,195,671
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	145,102,432	—	—	—	—	—
Gifts and Contributions	—	71,836,680	—	168,477	—	1,140,827
Endowment Income	—	—	—	—	—	523,103
Other Operating Revenues	—	—	—	636	439,773	7,905,032
Total Operating Revenues	145,102,432	82,662,834	207,802,777	8,607,545	6,293,422	26,433,351
OPERATING EXPENSES						
Staff Salaries	17,379,558	447,708	—	—	—	347,818
Employee Benefits	495,620	—	—	—	—	—
Other Personal Services	—	—	—	—	—	—
Travel	10,934,918	904,110	—	—	—	29,482
Scholarships and Fellowships	—	63,000	—	—	—	1,572,199
Utilities	—	—	—	—	—	—
Supplies and Other Services	100,965,659	105,908,900	198,862,595	947,587	161,346	1,305,463
Depreciation	10,278,367	1,334,098	114,739	123,290	—	—
Total Operating Expenses	140,054,122	108,657,816	198,977,334	1,070,877	161,346	3,254,962
Operating Income (Loss)	\$ 5,048,310	\$ (25,994,982)	\$ 8,825,443	\$ 7,536,668	\$ 6,132,076	\$ 23,178,389

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	University of Georgia Athletic Association, Inc.	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	UWG Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc.
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Gifts	27,020,882	—	—	—	—	—
Investment Income	3,357,675	84,594,622	846,993	143,280	145,203	(33,889)
Interest Expense	(3,323,491)	940,830	(10,613,517)	(5,629,528)	(5,054,010)	(9,467,404)
Other Nonoperating Revenues (Expenses)	(18,690)	(2,373,000)	955,000	—	—	—
Net Nonoperating Revenues	27,036,376	83,162,452	(8,811,524)	(5,486,248)	(4,908,807)	(9,501,293)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	32,084,686	57,167,470	13,919	2,050,420	1,223,269	13,677,096
Capital Grants and Gifts						
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	—	55,915,213	—	—	—	61,450
Special Item	—	—	(354,800)	(2,734,622)	—	—
Total Other Revenues, Expenses, Gains or Losses	—	55,915,213	(354,800)	(2,734,622)	—	61,450
Change in Net Position	32,084,686	113,082,683	(340,881)	(684,202)	1,223,269	13,738,546
Net Position, Beginning of Year, Restated	238,003,989	1,122,855,779	93,354,632	8,741,062	3,522,149	1,455,188
Net Position, End of Year	\$ 270,088,675	\$ 1,235,938,462	\$ 93,013,751	\$ 8,056,860	\$ 4,745,418	\$ 15,193,734

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	VSU Auxiliary Services Real Estate Foundation	Elimination/ Consolidation Entries	Total
OPERATING REVENUES			
Grants and Contracts			
Federal	\$ —	\$ —	\$ 786,239,798
State	—	—	9,424,710
Other	—	—	324,625,565
Sales and Services	—	—	897,507,134
Rents and Royalties	6,525,396	—	239,050,413
Auxiliary Enterprises			
Food Services	—	—	2,051,622
Health Services	—	—	—
Intercollegiate Athletics	—	—	145,102,432
Gifts and Contributions	95,811	(10,416,184)	186,311,575
Endowment Income	—	—	11,709,468
Other Operating Revenues	997,894	—	30,670,655
Total Operating Revenues	7,619,101	(10,416,184)	2,632,693,372
OPERATING EXPENSES			
Staff Salaries	—	—	317,351,162
Employee Benefits	—	—	35,930,565
Other Personal Services	—	—	146,007,768
Travel	—	—	21,216,095
Scholarships and Fellowships	—	—	35,598,112
Utilities	—	—	8,698,909
Supplies and Other Services	1,057,665	—	1,887,866,213
Depreciation	—	—	69,526,145
Total Operating Expenses	1,057,665	—	2,522,194,969
Operating Income (Loss)	\$ 6,561,436	\$ (10,416,184)	\$ 110,498,403

The notes to the financial statements are an integral part of this statement.

**UNIVERSITY SYSTEM OF GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

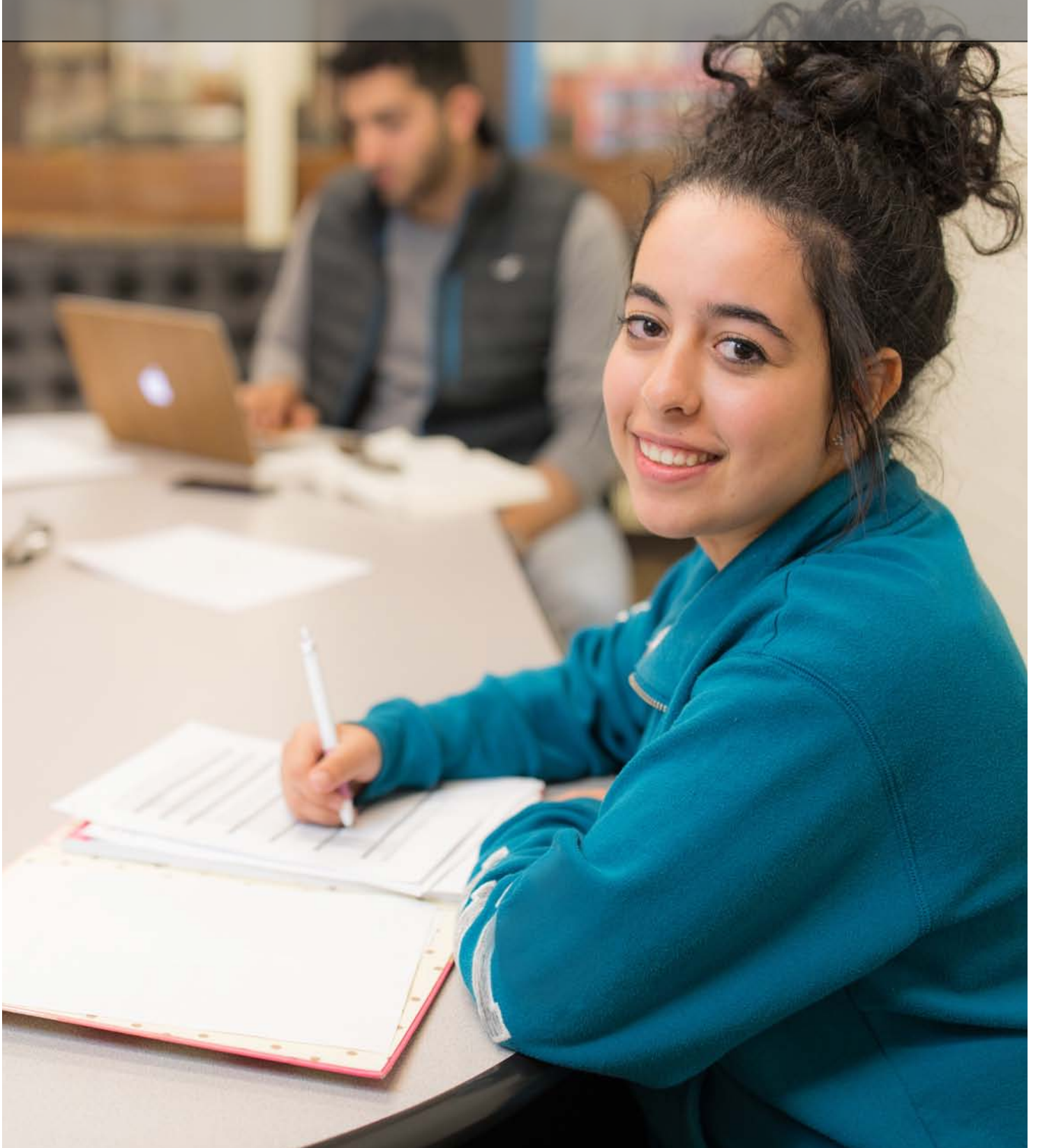
	VSU Auxiliary Services Real Estate Foundation	Elimination/ Consolidation Entries	Total
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	\$ —	\$ —	\$ 29,932,138
Grants and Contracts			
Federal	—	—	3,083,581
State	—	—	3,227,028
Gifts	—	—	27,553,141
Investment Income	117,980	—	297,873,509
Interest Expense	(6,136,629)	—	(129,583,788)
Other Nonoperating Revenues (Expenses)	—	—	(7,174,161)
Net Nonoperating Revenues	(6,018,649)	—	224,911,448
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	542,787	(10,416,184)	335,409,851
Capital Grants and Gifts			
Other	—	—	10,107,077
Additions to Permanent and Term Endowments	—	—	104,721,950
Special Item	—	—	(7,885,377)
Total Other Revenues, Expenses, Gains or Losses	—	—	106,943,650
Change in Net Position	542,787	(10,416,184)	442,353,501
Net Position, Beginning of Year, Restated	6,881,231	(2,505,557)	4,195,390,757
Net Position, End of Year	\$ 7,424,018	\$ (12,921,741)	\$ 4,637,744,258

The notes to the financial statements are an integral part of this statement.



UNIVERSITY SYSTEM OF GEORGIA

Notes to the Financial Statements



**UNIVERSITY SYSTEM OF GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, the nation, and throughout the world.

Reporting Entity

The USG, an organizational unit of the State of Georgia primary government (State), is comprised of twenty-six (26) State-supported member institutions of higher education in Georgia, the University System Office (USO), the Georgia Archives and the Georgia Public Library System. The USO also is the custodian of the Board of Regents Retiree Health Benefit Fund and the Deferred Compensation Plan. Augusta University, an organizational unit of the USG, is the custodian of the Early Retirement Plan.

The Board of Regents of the University System of Georgia (Board) has constitutional authority to govern, control and manage the USG. The Board 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 USG - the positions are voluntary ones without financial remuneration. Today, the Board 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 USG.

The USG does not have the right to sue/be sued without recourse to the State. The USG's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the USG is not legally separate from the State. Accordingly, the USG is included within the State's basic financial statements as part of the primary government as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the USG. In addition, certain discretely presented component units of the State, as discussed below, have been included since they have been determined to be essential to the fair presentation to these departmental financial statements. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2018, 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.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at sao.georgia.gov/comprehensive-annual-financial-reports.

Discretely Presented Component Units

The below organizations are legally separate, tax-exempt component units of the State. Although the State (primary government) is not fiscally accountable for these entities, it has been determined that the nature and significance of the relationship between the primary government and the below organizations is such that exclusion from these departmental financial statements would render them misleading. The below organizations met the requirements for discrete presentation as defined by GASB Codification Sections 2100 and 2600. Each of the below organization's fiscal year ends on June 30 each year, except for VSU Auxiliary Services Real Estate Foundation, Inc. VSU Auxiliary Services Real Estate Foundation, Inc.'s fiscal year ends December 31 each year. Separately issued financial statements are available from the following addresses.

- Augusta University Foundation, Inc. and Subsidiaries, 1120 15th Street, FI-1049, Augusta, GA, 30912
- Augusta University Research Institute, Inc., 1120 15th Street, AA 311, Richmond, Augusta, GA, 30912
- AU Health Systems, Inc. d/b/a AU Health System, 1120 15th Street. FY139, Augusta, GA 30912
- Georgia Advanced Technology Ventures, Inc. and Subsidiaries, 221 Uncle Heinie Way, Lyman Hall Suite 325, Atlanta, GA, 30332-0257 or found at gatv.gatech.edu/financial-statements
- Georgia College & State University Foundation, Inc. and Subsidiaries, 231 W Hancock St., CBX 96, Milledgeville, GA, 30161
- Georgia Gwinnett College Foundation, Inc., 1000 University Center Lane, Lawrenceville, GA, 30043
- Georgia Health Sciences Foundation, Inc., 1120 15th Street, FI-1047, Augusta, GA 30912
- Georgia Southern University Housing Foundation, Inc. and Subsidiaries, P.O. Box 8020, Statesboro, GA 30460
- Georgia State University Athletic Association, Inc., 125 Decatur Street, Atlanta, Georgia, 30303
- Georgia State University Foundation, Inc., Attn: Dale Palmer, GSU Foundation, 533 One Park Place, Atlanta, GA 30301-2668
- Georgia State University Research Foundation, Inc., 100 Auburn Avenue, Suite 315, Fulton, Atlanta, GA, 30303
- Georgia Tech Athletic Association, 150 Bobby Dodd Way, NW, Atlanta, GA 30332-0455 or found at fin-services.gatech.edu/affiliated-organization-financial-statements
- Georgia Tech Facilities, Inc., 221 Uncle Heinie Way, NW, Lyman Hall Suite 325, Atlanta GA 30332-0257 or found at gtfi.gatech.edu/financial-statements
- Georgia Tech Foundation, Inc., 760 Spring Street, NW, Suite 400, Atlanta, GA 30308 or found at gtf.gatech.edu/financial-statements
- Georgia Tech Research Corporation, 505 10th Street, Atlanta, GA 30332-0415 or found at gtrc.gatech.edu/gtrc/documents/financial-information
- Kennesaw State University Foundation, Inc., 3391 Town Point Drive, Suite 4530/Mail drop 9101, Kennesaw, GA 30144
- Medical College of Georgia Foundation, Inc., 545 15th Street, Augusta, GA 30901
- Middle Georgia State University Real Estate Foundation, Inc. and Subsidiaries, 100 University Pkwy, Macon, GA 31206
- University of Georgia Athletic Association, Inc., 456 E. Broad Street, Athens, GA 30602
- The University of Georgia Foundation, 394 S. Milledge Ave, Suite 100, Athens, GA 30602
- University of Georgia Research Foundation, Inc. and Subsidiaries, 324 Business Services Building, 456 E. Broad Street, Athens, GA 30602
- University of North Georgia Real Estate Foundation, Inc. and Subsidiaries, 110 South Chestatee Street, Suite 320, Dahlonega, GA 30597
- University System of Georgia Foundation, Inc. and Affiliates, 270 Washington Street, SW Suite 7007, Atlanta, Ga 30334
- UWG Real Estate Foundation, Inc., 1601 Maple St, Carrollton, GA 30118
- VSU Auxiliary Services Real Estate Foundation, Inc., 1500 N. Patterson St, Valdosta, GA 31698

See Component Unit Note for additional information related to discretely presented component units.

Basis of Accounting and 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.

The USG's business-type activities and fiduciary fund 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. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

The USG reports the following Fiduciary Funds:

Pension and Other Post Employment Benefit Trust Funds - Accounts for the activities of the Early Retirement Plan, the Board of Regents Retiree Health Benefit Fund and the Deferred Compensation Fund.

New Accounting Pronouncements

For fiscal year 2018, the USG adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement addresses accounting and financial reporting issues regarding in-substance defeasance of debt. The adoption of this Statement does not have a significant impact on the USG's financial statements.

For fiscal year 2018, the USG adopted GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues identified during implementation and application of certain other GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post employment benefits. The adoption of this Statement does not have a significant impact on the USG's financial statements.

For fiscal year 2018, the USG adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement does not have a significant impact on the USG's financial statements.

For fiscal year 2018, the USG adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*. This Statement replaces GASB Statements No. 45, *Accounting and Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions. The adoption of this Statement resulted in the accrual of the net other post-employment benefit (OPEB) liability for the Board of Regents Retiree Health Benefit Plan, changes to the related OPEB note disclosures, additional OPEB required supplemental information, and the restatement of the July 1, 2017 net position balance for business-type activities.

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 (Georgia Fund 1) and the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

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. Short-term investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Short-term investments restricted as to use by a third party are reported as externally restricted.

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 the fair 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 Board of Regents Diversified Fund for Foundations are included as investments. Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Investments restricted as to use by a third party are reported as externally restricted.

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.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

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 USG. 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.

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. See Note 10 for additional information.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

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.

Deposits Held for Other Organizations

Deposits held for other organizations result primarily from the USG acting as an agent or fiduciary for another entity. Deposits held for others include scholarships, fellowships, study abroad deposits and other funds held for various governments, companies, clubs or individuals.

Claims and Judgments

An estimated loss from claims and judgments is recognized when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Pollution Remediation Obligations

Pollution remediation obligations are recorded when the USG knows that a site is polluted and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for cleanup, calculated using the "expected cash flows" measurement technique.

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.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Board of Regents Retiree Health Benefit Plan and the State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions and Net Pension Liability

The net pension liability represents the USG's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia, Employees' Retirement System of Georgia, and Augusta University Early Retirement Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Service Concession Arrangements

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.

Net Position

The USG's net position is classified as follows:

Net Investment in capital assets 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 net position 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 institution 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 net position includes resources in which the USG is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position 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 or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the USG'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 nonoperating 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.
- Nonoperating 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

Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.

- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

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 USG has recorded contra revenue for scholarship allowances.

Restatement of Prior Year Net Position

The USG made the following restatements:

	Business-type Activities	Discretely Presented Component Units
Net position, beginning of year, as originally reported	\$ 3,092,594,112	\$ 4,230,860,131
Changes in financial reporting entity		(2,680,943)
Changes in accounting principles		
Adoption of GASB Statement No. 75	(1,485,461,759)	(33,171,000)
Removal of capital assets also reported by University of Georgia Athletic Association, Inc.	(226,242,587)	
Correction of prior year errors		
Lease purchase obligations	6,659,425	
Allowance for doubtful accounts receivable	(2,925,432)	
Accrued interest		382,569
Net position, beginning of year, restated	<u>\$ 1,384,623,759</u>	<u>\$ 4,195,390,757</u>

Changes in Financial Reporting Entity

The determination was made that Georgia State University Athletic Association, Inc. met the requirements for inclusion as a discretely presented component unit. The effect of this determination was an increase to discretely presented component unit beginning net position in the amount of \$1,460,669.

The determination was made that Kennesaw State University Athletic Association, Inc. no longer met requirements for inclusion as a discretely presented component unit. The effect of this determination was a decrease to discretely presented component unit beginning net position in the amount of \$3,699,504.

AU Health System, a discretely presented component unit, completed a series of corporate and governance changes during the fiscal year. As part of this reorganization, AU Medical Associates, Inc. became a blended component unit of AU Health System and MCGH/PPG Reproductive Lab, LLC was merged into AU Health Systems. The Health System has restated its financial statements for this change in reporting entity. The result is a decrease to discretely presented component unit beginning net position in the amount of \$442,108. See Note 20 - Component Units for additional information.

Changes in accounting principles

The USG made prior period adjustments due to the adoption of GASB Statement No. 75, which required the restatement of the June 30, 2017, net position. The result is a decrease in Net Position at July 1, 2017 of \$1,485,461,759 of which \$1,586,387,908 is represented in net OPEB liability, \$1,342,206 is represented in other assets (net OPEB asset) and \$99,583,943 is represented in deferred outflow. This change is in accordance with generally accepted accounting principles.

AU Health Systems, a discretely presented component unit, made prior period adjustments due to the adoption of GASB Statement No. 75, which required the restatement of the June 30, 2017, net position. The result is a decrease in Net Position at July 1, 2017 of \$33,171,000. This change is in accordance with generally accepted accounting principles.

Removal of capital assets also reported by University of Georgia Athletic Association, Inc.

The University of Georgia Athletic Association, Inc. (the Athletic Association) has an agreement with the USG whereby expenses for additions and improvements to University of Georgia owned buildings, stadium, and athletic fields used by the Athletic Association become the property of the University of Georgia upon installation or acquisition. The Athletic Association leases these athletic facilities from the USG for \$1 million per year under the current operating lease agreement, which expires June 30, 2022. The Athletic Association has capitalized expenses for additions and improvements to the buildings, stadium, and athletic fields owned by the University of Georgia and used by the Athletic Association. For fiscal year 2018, the USG made a prior period adjustment to remove capital assets owned by the University of Georgia that are also reported by the University of Georgia Athletic Association, Inc. for presentation purposes.

Special Items

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are considered special items.

Georgia Institute of Technology changed their capital asset capitalization threshold, which resulted in a net reduction in capital assets of \$21,437,060.

On April 30, 2018, the Georgia Southern University Housing Foundation, Inc. defeased the debt associated with the ASU Student Recreation Center, LLC Series 2015 bond. The related capital leases between the Georgia Southern Housing Foundation, Inc. and the University were terminated resulting in a special item of \$1,425,076 reported on the Statement of Revenues, Expenses and Changes in Net Position.

On January 11, 2018, the Board of Regents accepted a gift of approximately 5.669 acres of real property, located at 445 Capitol Ave, Atlanta, GA 30315, from the Georgia Building Authority for the use and benefit of Georgia State University. The land and improvements, formerly known as the Department of Juvenile Justice Parking Lot, are valued at \$2,129,900 and \$13,760 respectively.

Middle Georgia State University transferred property to Central Georgia Technical College in fiscal year 2018 consisting of land, buildings, and equipment with a net book value of \$12,533,158.

The remaining special item of \$116,656 related to the transfer of equipment outside of the State's reporting entity.

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2018 are classified in the accompanying statement of net position and statement of fiduciary net position as follows:

Statement of Net Position

Current

Cash and Cash Equivalents	\$	1,345,123,209
Cash and Cash Equivalents (Externally Restricted)		213,067,505
Short-term Investments		66,457,356
Short-term Investments (Externally Restricted)		537,765

Noncurrent

Investments		197,905,258
Non-current Cash (Externally Restricted)		11,970,725
Short-term Investments (Externally Restricted)		38,726
Investments (Externally Restricted)		243,981,033

Statement of Fiduciary Net Position

Cash and Cash Equivalents		26,135,941
Investments		163,058,622
	\$	<u>2,268,276,140</u>

Cash on hand, deposits and investments as of June 30, 2018 consist of the following:

Cash on Hand	\$	2,562,705
Deposits with Financial Institutions		709,126,349
Investments		1,671,691,317
Pooled Assets Held on Behalf of Component Units		(115,104,231)
	\$	<u>2,268,276,140</u>

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. 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 (O.C.G.A.) § 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 Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The USG participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2018, the bank balances of the USG's deposits totaled \$760,923,047. This balance includes deposits in Fiduciary funds as these balances are not separable from the holdings of the USG. Of these deposits, \$20,108,387 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	350,449
Uninsured and collateralized with securities held by the pledging financial institution		—
Uninsured and collateralized with securities held by the pledging financial institution's trust departments or agents, but not in the Institution's name		19,757,938
		<hr/>
Total deposits exposed to custodial credit risk	\$	<u>20,108,387</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The USG has a formal policy for managing exposure to foreign currency credit risk by requiring a maximum balance in a single foreign account of \$100,000 U.S. currency. The USG's exposure to foreign currency risk derives from deposits in foreign banks for operations of studies abroad programs. The deposits are uninsured and uncollateralized in the amount of \$143,436 as follows:

Program	Institution	Currency	U.S. Value
UGA - Oxford Program	Barclay's	British Pound	\$ 77,565
UGA Cortona Art Program	Banca CR Firenze	European Euro	65,871
			<hr/>
			<u>\$ 143,436</u>

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 it 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.

GASB Statement No. 72, *Fair Value Measurements and Application*, which requires fair value measurement be classified and disclosed in one of the following three categories (“Fair Value Hierarchy”):

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments.

The following table summarizes the valuation of the USG’s investments measured at fair value on a recurring basis as of June 30, 2018.

	Fair Value	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Investment type:				
Debt Securities				
U.S. Treasuries	\$ 64,458,715	\$ 64,458,715	\$ —	\$ —
U.S. Agencies				
Explicitly Guaranteed	183,678,003	234,334	183,443,669	—
Implicitly Guaranteed	346,924,734	52,074,903	294,849,831	—
Corporate Debt	181,302,954	11,383	181,291,571	—
Guaranteed Investment Contracts	1,061,901	—	—	1,061,901
Money Market Mutual Funds	13,163,309	13,163,309	—	—
Municipal Obligations	1,004,000	1,004,000	—	—
Mutual Bond Funds	140,280,260	140,280,260	—	—
Other Investments				
Equity Mutual Funds - Domestic	130,447,101	130,447,101	—	—
Equity Mutual Funds - International	57,654,114	57,654,114	—	—
Equity Securities - Domestic	144,553,511	144,553,505	—	6
Equity Securities - International	351,442	117,147	234,295	—
Real Estate Held for Investment Purposes	6,312,978	—	—	6,312,978
Real Estate Investment Trusts	1,077,732	1,077,732	—	—
Other	646,316	646,316	—	—
	1,272,917,070	\$ 605,722,819	\$ 659,819,366	\$ 7,374,885
Investment Pools				
Office of the State Treasurer				
Georgia Fund 1	398,774,247			
Total Investments	\$ 1,671,691,317			

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 includes real estate funds that invest primarily in U.S. commercial real estate and guaranteed investment contracts. The fair values of real estate investments in this category have been estimated using the net asset value of the USG’s ownership interest in partners’ capital. Real estate investments are less liquid and,

generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from real estate investment funds will be received as the underlying investments of a fund are liquidated. Guaranteed investment contracts are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

The USG holds positions in the Georgia Fund 1 investment pool managed by the Georgia Office of the State Treasurer. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The USG does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Board of Regents Pooled Investment Program

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. 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 pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System 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 University System of Georgia and their affiliated organizations may participate in the pooled investment fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The Board of Regents' pooled investment fund options are described below.

1. Short-Term Fund

The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of $\frac{3}{4}$ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the Short-Term Fund at June 30, 2018 was \$553,297,754.

2. Legal Fund

The Legal Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between three and five years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the Legal Fund at June 30, 2018 was \$11,418,702.

3. Balanced Income Fund

The Balanced Income Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Balanced Income Fund at June 30, 2018 was \$86,911,293.

4. Total Return Fund

The Total Return Fund is available to both University System of Georgia institutions and their affiliated organizations. The 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 greater overall equity exposure and is appropriate for investing longer term funds such as endowments. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 60% and 80%, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Total Return Fund at June 30, 2018 was \$13,527,182.

5. Diversified Fund

The Diversified Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income and global fixed income.

The equity allocation shall range between 60% and 80% of the portfolio, with a target of 70% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 20% and 40%, with a target of 30% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Diversified Fund at June 30, 2018 was \$200,632,132.

6. Diversified Fund for Foundations

The Diversified Fund for Foundations is available only to University System of Georgia affiliated organizations. Like the Diversified Fund, the fund is designed to provide improved return characteristics with reduced volatility through greater diversification and is appropriate for investing longer term funds such as endowments. Investments in the fund may include domestic, international and emerging market equities, domestic and global investment grade and non-investment grade fixed income and liquid alternative investments.

The equity allocation shall range between 40% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 10% and 40% of the portfolio, with a target of 20% of the total portfolio. The alternatives portion of the portfolio shall range between 0% and 30% of the portfolio, with a target of 15% of the total portfolio. Cash reserves and invested income are invested at all times in the highest quality par stable (A1, P1) institutional money market funds, or other high quality short term instruments. The market value of the Diversified Fund for Foundations at June 30, 2018 was \$60,992,842.

Condensed financial information for the Board of Regents Pooled Investment Program is as follows:

Statement of Net Position - June 30, 2018

<u>Assets</u>	
Pooled Investments*	\$ 925,082,039
Receivables	1,697,866
	<u>\$ 926,779,905</u>
 <u>Distribution of Net Position</u>	
USG Account Balance	\$ 755,264,370
Component Units and Affiliated Organizations	171,515,535
	<u>\$ 926,779,905</u>

* Pooled investments in the short-term fund are reported as cash and cash equivalents on the statements of net position and statement of fiduciary net position, except for \$12,330,950 and \$3,133,983 for discretely presented component units reported as short-term investments and investments, respectively.

Statement of Changes in Net Position - June 30, 2018

Market Value Plus Accrued Income on July 1, 2017	\$ 784,441,210
Receipts	200,045,521
Disbursements	
Administrative Expenses	(876,828)
Distributions	(86,300,256)
Investment Results	
Income Collected and Accrued	17,498,020
Realized Gain/Loss on Assets Sold	15,396,537
Change in Unrealized Gain/Loss	(2,550,184)
Amortization (Short-Term Fund)	(874,115)
Market Value Plus Accrued Income on June 30, 2018	<u>\$ 926,779,905</u>

Office of the State Treasurer Investment Pool

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, and the State does not consider Georgia Fund 1 to be a 2a7-like pool. This investment is valued at the pool's share price, \$1 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 10 days.

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 USG's policy for managing interest rate risk attempts to match investments with expected cash requirements.

	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Investment type:						
Debt Securities						
U.S. Treasuries	\$ 64,458,715	\$ 35,150,288	\$ 652,752	\$ 26,005,208	\$ 2,650,467	\$ —
U.S. Agencies						
Explicitly Guaranteed	183,678,003	127,793,443	11,833,506	14,762,405	62,813	29,225,836
Implicitly Guaranteed	346,924,734	209,769,946	24,880,743	65,207,308	14,892,352	32,174,385
Corporate Debt	181,302,954	9,688,079	59,350,858	112,065,644	198,373	—
Guaranteed Investment Contracts	1,061,901	—	—	—	—	1,061,901
Money Market Mutual Funds	13,163,309	13,163,309	—	—	—	—
Municipal Obligations	1,004,000	5,000	—	436,869	287,402	274,729
Mutual Bond Funds	140,280,260	41,110	—	11,358,056	54,074,954	74,806,140
	931,873,876	\$ 395,611,175	\$ 96,717,859	\$ 229,835,490	\$ 72,166,361	\$ 137,542,991
Other Investments						
Equity Mutual Funds - Domestic	130,447,101					
Equity Mutual Funds - International	57,654,114					
Equity Securities - Domestic	144,553,511					
Equity Securities - International	351,442					
Real Estate Held for Investment Purposes	6,312,978					
Real Estate Investment Trusts	1,077,732					
Other	646,316					
Investment Pools						
Office of the State Treasurer						
Georgia Fund 1	398,774,247					
Total Investments	\$ 1,671,691,317					

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 is:

1. The USG has appointed a federally regulated banking institution as custodian. The custodian performs its duties to the standards of 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, 2018, \$17,744,096 was uninsured and held by the investment's counterparty's trust department or agent, but not in the USG's name. Of this balance, \$5,861,950 is related to the Deferred Compensation Fiduciary Fund.

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, colleges, universities, and foundations:

1. In the Short-Term Fund and Legal Fund, all debt issues must be eligible investments under O.C.G.A § 50-17-59 and 50-17-63. Other investment portfolios of debt securities funds also must meet the eligible investment criteria under the same code section.
2. In the Balanced Income Fund, Total Return Fund, and Diversified Fund, total fixed income portfolios should have an average credit quality rating of at least A. Overnight investments shall be limited to high quality institutional money market mutual funds rated A1, P1 or other high quality short-term debt instruments rated at least AA+.
3. In the Diversified Fund for Foundations, fixed income investments include investment grade and high yield domestic bonds, dollar-and non-dollar denominated global bonds, and emerging market bonds. Overnight investments shall be limited to high quality institutional money market mutual funds rated A1, P1 or other high quality short-term debt instruments rated at least AA+.

The investments subject to credit quality risk are reflected below:

	Fair Value	AAA	AA	A	BBB	BB	Unrated
Related Debt Investments							
U. S. Agency Securities	\$ 346,924,734	\$ 345,519,348	\$ 1,405,386	\$ —	\$ —	\$ —	\$ —
Corporate Debt	181,302,954	—	149,567	180,967,741	174,263	—	11,383
Guaranteed Investment Contracts	1,061,901	—	—	—	—	—	1,061,901
Money Market Mutual Fund	13,163,309	427,672	—	—	—	—	12,735,637
Municipal Obligation	1,004,000	320,804	352,030	306,128	—	25,038	—
Mutual Bond Fund	140,280,260	222,252	34,796	31,752	—	8,363	139,983,097
	<u>\$ 683,737,158</u>	<u>\$ 346,490,076</u>	<u>\$ 1,941,779</u>	<u>\$ 181,305,621</u>	<u>\$ 174,263</u>	<u>\$ 33,401</u>	<u>\$ 153,792,018</u>

The Early Retirement Plan Fiduciary Fund has \$13,079,318 in mutual bond funds and \$3,045,577 in money market mutual funds (cash and cash equivalents on the statement of fiduciary net position). These investments are not rated.

The Deferred Compensation Fiduciary Fund has \$1,130,861 in mutual bond funds, \$1,061,901 in guaranteed investment contracts, and \$4,731,089 in money market mutual funds (cash and cash equivalents on the statement of fiduciary net position). These investments are not rated.

The Retiree Health Benefit Fiduciary Fund has \$42,983,473 in mutual bond funds and \$779,780 in money market mutual funds. These investments are reported as pooled investments on the statement of fiduciary net position and are not rated.

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 requires diversification of investments to reduce overall portfolio risk while maintaining market rates of return.

At June 30, 2018, approximately 9.61%, 10.58%, 7.06% and 5.53% of business-type activity and fiduciary fund investments were investments in Government National Mortgage Assn. notes and pools, Federal National Mortgage Assoc. notes and pools, Federal Home Loan Mortgage Corp. notes and pools, and Vanguard Institutional Index Fund, respectively.

Specifically for the Deferred Compensation Fiduciary Fund, approximately 47.45%, 11.18%, 9.37%, 6.81% and 5.24% of the were invested in Federated Treasury Obligations Money Market Fund, TIAA traditional annuity, Fidelity Contrafund Fund, TIAA Real Estate Fund, Fidelity Strategic Income Fund, respectively.

See Note 14 - Retirement Plans for concentration of credit risk for the Early Retirement Plan. See Note 17 - Post-Employment Benefits Other Than Pension Benefits for concentration of credit risk for the Retiree Health Benefit Fund.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2018:

	Business Type Activities
Student Tuition and Fees	\$ 70,685,795
Auxiliary Enterprises and Other Operating Activities	82,496,446
Federal Financial Assistance	70,473,727
Georgia Student Finance Commission	18,241,520
Georgia State Financing and Investment Commission	16,815,253
Due from Affiliated Organizations	16,242,849
Due from Component Units	219,507,624
Other	127,375,328
	<u>621,838,542</u>
Less: Allowance for Doubtful Accounts	44,220,046
	<u><u>\$ 577,618,496</u></u>

Note 4 Inventories

Inventories consisted of the following at June 30, 2018:

Consumable Supplies	\$ 4,907,529
Merchandise for Resale	<u>18,083,576</u>
Total	<u><u>\$ 22,991,105</u></u>

Note 5 Notes and Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2018. 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 USG for amounts canceled under these provisions. As the USG 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 USG 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, 2018, the allowance for uncollectible loans was \$2,253,035.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2018 are shown below:

	(Restated) Balance July 1, 2017	Special Item and Other Transfers	Additions	Reductions	Balance June 30, 2018
Capital Assets, Not Being Depreciated:					
Land	\$ 405,224,031	\$ 848,800	\$ 3,788,920	\$ —	\$ 409,861,751
Capitalized Collections	51,448,435	—	476,490	—	51,924,925
Construction Work-in-Progress	222,618,967	—	193,540,677	184,553,097	231,606,547
Software Development-in-Progress	9,521,221	—	9,931,038	7,185,832	12,266,427
Total Capital Assets Not Being Depreciated	688,812,654	848,800	207,737,125	191,738,929	705,659,650
Capital Assets, Being Depreciated/Amortized:					
Infrastructure	383,828,510	—	22,638,578	50,346,507	356,120,581
Building and Building Improvements	11,790,982,565	(11,500,000)	436,908,474	12,040,353	12,204,350,686
Facilities and Other Improvements	290,051,644	13,760	16,562,326	16,984,252	289,643,478
Equipment	1,656,806,410	(35,308)	143,520,825	77,365,745	1,722,926,182
Library Collections	922,512,619	—	33,092,657	6,633,399	948,971,877
Capitalized Collections	6,781,019	—	—	—	6,781,019
Software	66,188,814	—	26,589,605	—	92,778,419
Total Capital Assets Being Depreciated/Amortized	15,117,151,581	(11,521,548)	679,312,465	163,370,256	15,621,572,242
Less: Accumulated Depreciation/Amortization					
Infrastructure	152,175,861	—	12,584,409	25,252,409	139,507,861
Building and Building Improvements	3,809,201,986	(274,809)	309,311,829	8,487,454	4,109,751,552
Facilities and Other Improvements	128,050,979	—	11,349,417	10,068,917	129,331,479
Equipment	1,206,149,624	(125,097)	120,460,238	61,846,115	1,264,638,650
Library Collections	747,594,824	—	32,437,372	6,633,698	773,398,498
Capitalized Collections	1,510,830	—	207,586	—	1,718,416
Software	24,614,656	—	5,866,874	—	30,481,530
Total Accumulated Depreciation/Amortization	6,069,298,760	(399,906)	492,217,725	112,288,593	6,448,827,986
Total Capital Assets, Being Depreciated/Amortized, Net	9,047,852,821	(11,121,642)	187,094,740	51,081,663	9,172,744,256
Capital Assets, net	\$ 9,736,665,475	\$ (10,272,842)	\$ 394,831,865	\$ 242,820,592	\$ 9,878,403,906

The July 1, 2017 equipment and equipment accumulated depreciation balances have been increased \$32,150 related to prior year errors. The net effect of this restatement on the July 1, 2017 capital asset balance is \$0.

The USG has received and transferred capital assets to various other entities within the State's reporting entity. The USG has reported these transactions as special items on the Statement of Revenues, Expenses and Changes in Net Position. See Note 1 - Special Items for additional information related to these transactions.

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the USG when complete. For projects managed by the USG, the USG retains construction-in-progress on its books and is reimbursed by GSFIC. For the year ended June 30, 2018, GSFIC transferred capital additions from GSFIC managed projects valued at \$197,105,351 to the USG. In addition, at June 30, 2018, GSFIC had construction in progress of approximately \$190,189,072 for incomplete GSFIC managed projects for the USG.

The University of Georgia Athletic Association, Inc. (the Athletic Association) has an agreement with the USG whereby expenses for additions and improvements to University of Georgia owned buildings, stadium, and athletic fields used by the Athletic Association become the property of the University of Georgia upon installation or acquisition. The Athletic Association leases these athletic facilities from the USG for \$1 million per year under the current operating lease agreement, which expires June 30, 2022. The Athletic Association capitalizes expenses for additions and improvements to the buildings, stadium, and athletic fields owned by the University of Georgia and used by the Athletic Association. Therefore, these improvements to University of Georgia owned property are not reported as capital assets within the

University of Georgia's financial statements. The cost associated with these assets is \$358,246,114 and associated accumulated depreciation is \$103,869,307.

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2018:

	Current Liabilities
Prepaid Tuition and Fees	\$ 132,923,991
Research	55,060,151
Other - Advances	50,376,617
Totals	<u>\$ 238,360,759</u>

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2018 was as follows:

	(Restated) Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Lease Purchase Obligations	\$ 3,036,259,633	\$ 61,327,143	\$ 183,956,082	\$ 2,913,630,694	\$ 103,011,206
Other Liabilities					
Compensated Absences	220,236,041	173,130,137	164,345,709	229,020,469	149,723,938
Net Pension Liability	3,147,202,798	1,929,853	283,698,927	2,865,433,724	—
Notes and Loans Payable	9,504,296	—	1,409,028	8,095,268	1,437,861
Claims and Judgments	2,690,393	—	884,481	1,805,912	800,662
Net Other Post Employment Benefits Liability	4,202,453,802	40,537,906	23,265,836	4,219,725,872	—
Pollution Remediation	1,228,430	476,325	618,915	1,085,840	441,540
Total	<u>7,583,315,760</u>	<u>216,074,221</u>	<u>474,222,896</u>	<u>7,325,167,085</u>	<u>152,404,001</u>
Total Long-Term Liabilities	<u>\$ 10,619,575,393</u>	<u>\$ 277,401,364</u>	<u>\$ 658,178,978</u>	<u>\$ 10,238,797,779</u>	<u>\$ 255,415,207</u>

The July 1, 2017 balance was restated \$1,586,387,908 related to net OPEB liability and (\$6,659,425) related to lease purchase obligations. See Note 1 - Restatement of Prior Year Net Position for additional information related to these transactions.

Notes and Loans Payable

The USG entered into a notes payable to secure Energy Performance Contracts. The interest rate for the notes vary between 2.003% to 2.04% and matures during fiscal year 2024. Below is the annual debt service related to the outstanding notes payable at June 30, 2018.

	Principal		Interest
Year Ending June 30:			
2019	\$ 1,437,861	\$	156,349
2020	1,467,286		126,923
2021	1,497,313		96,897
2022	1,527,954		66,256
2023	1,559,223		34,987
2024 through 2028	605,631		4,633
	<u>\$ 8,095,268</u>	<u>\$</u>	<u>486,045</u>

Pollution Remediation

Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations.

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. USG has recorded a liability related to this pollution remediation in the amount of \$822,800. The liability was determined using a five-year budget estimated provided by Brown and Caldwell. The University of Georgia does not anticipate any changes to the expected remediation outlay. There are no expected recoveries that have reduced this liability.

Georgia Institute of Technology is responsible for pollution remediation at all Institute sites including, but not limited to ground contamination, storage/treatment/disposal of hazardous materials, and asbestos abatement. Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations. USG has recorded a liability related to this pollution remediation in the amount of \$263,040. There are no expected recoveries that have reduced this liability.

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2018, consisted of the following:

Deferred Outflows of Resources

Deferred Loss on Debt Refunding	\$ 38,323,970
Deferred Loss on Defined Benefit Pension Plans (See Note 14)	574,541,276
Deferred Loss on OPEB Plan (See Note 17)	260,989,734
Total Deferred Outflows of Resources	<u>\$ 873,854,980</u>

Deferred Inflows of Resources

Deferred Gain on Debt Refunding	\$ 60,355,063
Unavailable Revenues	37,834,403
Deferred Service Concession Arrangements	579,577,921
Deferred Gain on Defined Benefit Pension Plans (See Note 14)	71,745,559
Deferred Gain on OPEB Plan (See Note 17)	289,436,186
Total Deferred Inflows of Resources	<u>\$ 1,038,949,132</u>

Deferred Loss/Gain on Debt Refunding

The unamortized deferred gain or loss on debt refunding related to changes in the provisions of various leases that resulted from a refunding by the lessor of tax-exempt debt in which the a portion of the perceived economic advantages of the refunding were passed through to various units of the USG.

Unavailable Revenues

Resources from certain non-exchange transactions received before time requirements are met, but after all other eligibility requirements have been met, are reported as a deferred inflow of resources.

Service Concessions Arrangements*Kennesaw State University (KSU)*

At June 30, 2018, Kennesaw State University (KSU) was a participant in four Service Concession Arrangements.

In August 2001, KSU entered into an agreement with KSUF whereby Kennesaw State University Foundation, Inc. (KSUF) will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall ("University Place") in accordance with a contractual agreement between the two parties. Under the terms of the agreement, the Institution received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in June, 2031.

In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, the Institution received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2034.

In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, the Institution received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2037.

In July 2017, KSU entered in to a lease agreement with a food service provider whereby the vendor will operate a restaurant in accordance with a contractual agreement between the two parties. Under the terms of the agreement, the Institution received no funds upfront, but will take full ownership of the equipment and lease improvements at the end of the operating agreement in June, 2027.

At June 30, 2018, the University reports the three housing residences and one retail space as capital assets with a net carrying value of \$60,611,645. For fiscal year 2018, the University reported a remaining deferred inflow of resources of \$60,611,645 and amortized revenue of \$3,641,327.

Georgia Gwinnett College (GGC)

On May 13, 2014, GGC entered into an agreement with Aramark Education Services, LLC (Aramark), whereby Aramark will operate food services operations from service participants. The agreement is renewable for each year for ten years.

Aramark is required to operate the food service facilities in accordance with the contractual agreement. The contract includes a period fixed fee ("Annual Fixed Fee") payable to Aramark in the amount of \$5.3 million per operating year. In the event that the amount paid to or retained by Aramark is less than the Annual Fixed Fee of \$5.3 million, then GGC shall remit the amount equivalent to the difference of the Annual Fixed Fee minus Actual Operating Retainage. In the event that the actual operation year retainage is greater than 199.9% (upper threshold amount) of the Annual Fixed Fee, then Aramark shall remit the difference of the Annual Fixed Fee minus the upper threshold amount to GGC. If the actual operation year retainage is more than the Annual Fixed Fee but less than the 199.9% of the Annual Fixed Fee, then neither party shall owe anything to the other. GGC and Aramark will review the annual Fixed Fee prior to the commencement of each Operating Year and a revised Annual Fixed Fee shall be set forth in a written supplemental contract.

Under the terms of the contract Aramark committed a lump sum upfront payment of \$360,000. The amortized revenue recorded related to the lump sum payment in fiscal year 2018 was \$36,000 and the remaining deferred inflow was \$216,000.

Under terms of the original agreement Aramark also committed \$5,250,000 in dining facility renovations. In fiscal year 2017, the contract amendment called for a return of outstanding unamortized amounts of \$1,615,483 and for a reduction

of \$704,805 to deferred inflows for uncollected funds. The amortized revenue recorded in fiscal year 2018 for the remaining construction commitment was \$326,438 leaving deferred inflow balance of \$1,958,629.

For Fiscal Year 2018, GGC reported a total remaining Deferred Inflow of Resources of \$2,174,629 related to the service concession arrangement.

University System Office (USO)

During fiscal year ended June 30, 2015, the Board of Regents of the University System of Georgia (BOR) entered into a Service Concession Arrangement (SCA) with Corvias Campus Living-USG, LLC, whereby Corvias Campus Living-USG, LLC, manages, maintains and operates certain existing student housing resources on the campuses of nine institutions: Abraham Baldwin Agricultural College; Armstrong State University; Augusta University; College of Coastal Georgia; Columbus State University; Dalton State College; East Georgia State College; Georgia State University; and the University of North Georgia.

Pursuant to the contractual stipulations of this SCA, whereby the BOR and Corvias Campus Living-USG, LLC, are the "parties" participating in this agreement, as of May 14, 2015, the institutions noted above transferred the housing resources covered by this SCA, along with associated capital lease obligations to the University System Office in fiscal year 2015 through Special Item Transfer. In accordance with the SCA, in May 2015, Corvias Campus Living-USG, LLC, provided \$311,561,781 which the BOR used to retire the capital lease obligations transferred to the University System Office.

On February 23, 2018, the SCA contractual agreement with Corvias Campus Living-USG, LLC, was amended. While performance measures and the operating agreement remain intact, the term of the agreement has changed. The SCA, which was originally for 65 years (780 months) to end in June 2080, will now end on June 30, 2055. This contract modification accelerates the amortization of the Deferred Inflows.

For the \$311,561,781 that was originally received from Corvias Campus Living-USG, LLC, in fiscal year 2015, \$5,859,615 was amortized at June 30, 2018, leaving a remaining Deferred Inflow of Resources balance of \$295,716,211 at year end.

In addition to the existing student housing arrangement, Corvias Campus Living-USG, LLC designs and constructs authorized new housing projects that, once constructed, are similarly managed, maintained and operated on seven of the nine campuses with existing student housing resources. Two of these projects were completed in fiscal year 2016 and their fair market values were capitalized increasing Capital Assets by \$23,110,655. In fiscal year 2017, five additional housing projects were completed and their fair market values were capitalized increasing Capital Assets by \$154,415,645. A Deferred Inflow of Resources was recorded as the offset to the Capital Asset additions. The Deferred Inflows associated with these projects are being amortized over the remaining life of the SCA in accordance with the term revision noted above. At June 30, 2018, the University System Office amortized \$3,398,953 of Deferred Inflows related to these seven projects, leaving a remaining Deferred Inflow of Resources balance of \$171,534,376 at year end.

Also, as part of this SCA, and beginning in fiscal year 2016, the University System Office receives \$8,000,000 in Ground Rent and \$500,000 in Supplemental Capital Repair and Replacement funds each year for the next ten years, with each amount escalating by 3% annually. The University System Office recorded Accounts Receivable and Deferred Inflow of Resources in the amount of \$73,232,489 representing the present value of this revenue stream based on the agreement terms and will amortize the Deferred Inflows over a ten-year period. For the year ended June 30, 2018, the University System Office amortized \$7,723,395 and recognized \$1,294,255 in associated interest income, leaving a Deferred Inflow balance of \$49,541,060 as of June 30, 2018.

The University System Office also receives retained services funds each year as a percentage of gross revenues for that year.

The University System Office has no reportable future obligation for these services.

Note 10 Net Position

The breakdown of business type activity net position for the USG fund at June 30, 2018 is as follows:

NET POSITION

Net Investment in Capital Assets	\$ 6,666,852,110
Restricted for	
Nonexpendable	
Permanent Endowment	204,781,419
Expendable	
Sponsored and Other Organized Activities	123,562,652
Federal Loans	36,303,187
Institutional Loans	26,204,356
Term Endowments	205,999
Quasi-Endowments	20,261,122
Capital Projects	11,658,263
Sub-Total	218,195,579
Unrestricted	
Auxiliary Enterprises Operations	(91,764,124)
Auxiliary Enterprises Renewals and Replacement Reserve	223,160,647
Reserve for Encumbrances	436,898,086
Reserve for Inventory	3,801,901
Capital Liability Reserve Fund	20,216,561
Health Insurance Reserve	161,356,465
Other Unrestricted	(6,236,985,185)
Sub-Total	(5,483,315,649)
Total Net Position	\$ 1,606,513,459

Other unrestricted net position is reduced by \$4,248,172,324 related to the recording of net OPEB liability, deferred gain on OPEB plan, and deferred loss on OPEB plan. Other unrestricted net position is also reduced by \$2,362,638,007 related to the recording of net pension liability, deferred gain on defined benefit pension plans, and deferred loss on defined benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation, student tuition, and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the USG is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Note 11 Endowments

Donor Restricted Endowments

Investments of the USG's endowment funds are pooled, unless required to be separately invested by the donor. For USG controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the endowments. Current year net appreciation for the endowment accounts was \$15,127,940 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the USG's endowment funds is predicated on the total return concept. Annual payouts from the USG's endowment funds are based on a

spending policy which limits spending between 3.0% and 6.0% of endowment principal market value. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the USG uses accumulated income and appreciation from restricted expendable net asset endowment balances to make up the difference.

For endowment funds where the donor has not provided specific instructions, investment return of the USG's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

For the current year, the USG did not incur investment losses that exceeded the related endowment's available accumulated income and net appreciation.

Note 12 Significant Commitments

See the Net Position note for amounts reserved for outstanding encumbrances at June 30, 2018. In addition to these encumbrances, the USG had other significant unearned outstanding construction or renovation contracts in the amount of \$50,944,341 executed as of June 30, 2018. This amount is not reflected in the accompanying basic financial statements.

Note 13 Leases

Lease Obligations

The USG is obligated under various capital and operating lease agreements for the acquisition or use of real property and equipment.

Capital Leases

The USG acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the USG. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The USG's principal and interest payments related to capital leases for fiscal year 2018 were \$121,967,015 and \$148,709,256, respectively.

The USG has \$2,379,885,386 in outstanding lease obligations due to component units. The USG has \$413,931,031 in outstanding lease obligations due to affiliated organizations and other related party organizations.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2018:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Assets Held Under Capital Lease at June 30, 2018	Outstanding Balances per Lease Schedules at June 30, 2018
	(+)	(-)	(=)	
Leased Land and Land Improvements	\$ 49,550,118	\$ —	\$ 49,550,118	\$ 43,077,196
Leased Infrastructure	39,705,000	15,008,490	24,696,510	34,115,891
Leased Equipment	27,034,613	13,758,482	13,276,131	13,809,658
Leased Buildings and Building Improvements	3,425,337,863	990,631,338	2,434,706,525	2,812,027,080
Leased Facilities and Other Improvements	6,457,991	2,763,564	3,694,427	4,943,730
Leased Intangibles	2,120,088	106,004	2,014,084	1,380,832
Total Assets Held Under Capital Lease	\$ 3,550,205,673	\$ 1,022,267,878	\$ 2,527,937,795	\$ 2,909,354,387

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 leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the USG has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The USG's operating lease expense for fiscal year 2018 was \$48,624,138 which includes payments to related parties of \$23,964,864. The USG is obligated to pay these related parties a total of \$24,056,324 in the next fiscal year.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2018, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2019	\$ 262,004,407	\$ 56,640,426
2020	261,883,913	52,339,716
2021	262,368,928	48,140,794
2022	262,901,416	42,554,429
2023	260,878,813	41,355,474
2024 through 2028	1,306,386,564	149,978,489
2029 through 2033	1,203,246,520	104,762,965
2034 through 2038	840,895,527	5,474,755
2039 through 2043	269,279,570	717,397
2044 through 2048	10,515,335	663,580
2049 through 2053	3,095,406	530,864
Total minimum lease payments	4,943,456,399	\$ 503,158,889
Less: Interest	1,669,830,568	
Less: Executory costs	359,995,137	
Principal Outstanding	\$ 2,913,630,694	

Note 14 Retirement Plans

The USG participates in various retirement plans administered by the State of Georgia under two major retirement systems: Teachers Retirement System of Georgia (TRS) and Employees' Retirement System of Georgia (ERS). 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 administrative offices.

The USG also provides two other retirement plans - the Augusta University Early Retirement Pension Plan and the Regents Retirement Plan.

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.

A. Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

General Information about the Teachers Retirement System

Plan description

All teachers of the USG as defined in O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trsga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee 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. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2018. USG's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual the USG payroll. The USG's contributions to TRS totaled \$303,975,717 for the year ended June 30, 2018.

General Information about the Employees' Retirement System

Plan description

ERS is a cost-sharing multiple-employer defined benefit pension plan 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. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to 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 modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there 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 the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also 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.

Contributions

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 State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State 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 required contribution rate for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.81% for GSEPS members. The rates include the annual actuarially determined employer contributions rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one time benefit adjustment of 3% to retired state employees. USG's contributions to ERS totaled \$3,201,803 for the year ended June 30, 2018. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the USG reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The USG's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the USG's TRS proportion was 15.047800%, which was an increase of 0.179111% from its proportion measured as of June 30, 2016. At June 30, 2017, the USG's ERS proportion was 0.465664%, which was a increase of 0.024233% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the USG recognized pension expense of \$328,346,757 for TRS and \$3,276,218 for ERS. At June 30, 2018, the USG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,613,059	\$ 10,554,375	\$ 207,231	\$ 151
Changes of assumptions	61,306,694		43,056	
Net difference between projected and actual earnings on pension plan investments	—	19,245,835	—	47,092
Changes in proportion and differences between contributions and proportionate share of contributions	96,962,995	35,961,415	1,981,712	1,120,302
Contributions subsequent to the measurement date	303,975,717	—	3,201,803	—
Total	<u>\$ 566,858,465</u>	<u>\$ 65,761,625</u>	<u>\$ 5,433,802</u>	<u>\$ 1,167,545</u>

The USG's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2019	\$ 4,750,049	\$ 403,399
2020	\$ 167,257,176	\$ 984,980
2021	\$ 87,379,742	\$ 212,305
2022	\$ (64,564,573)	\$ (536,230)
2023	\$ 2,298,729	

Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.75%
Salary increases	3.25% - 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9–12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of 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 expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS target allocation	ERS target allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large equities	39.80%	37.20%	9.00 %
Domestic mid equities	3.70%	3.40%	12.00 %
Domestic small equities	1.50%	1.40%	13.50 %
International developed market equities	19.40%	17.80%	8.00 %
International emerging market equities	5.60%	5.20%	12.00 %
Alternatives	—%	5.00%	10.50 %
Total	100.00%	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS 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.

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate:

The following presents the USG's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the USG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 4,589,679,973	\$ 2,796,679,979	\$ 1,319,650,977

Employees' Retirement System:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 26,693,594	\$ 18,912,176	\$ 12,274,387

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publically available at trsga.com/publications and ers.ga.gov/financials, respectively.

B. Early Retirement Pension Plan

Plan Description

Augusta University Early Retirement Pension Plan (ERP) is a single-employer defined benefit pension plan administered by Findley, Inc., formerly Findley Davies/Bryan, Pendleton, Swats, and McAlister (BPS&M). The plan was derived by Augusta University as a means of workforce reduction and was approved by the Board of Regents of the University System of Georgia (BOR) effective January 1, 2000.

The plan was designed 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 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, 2018, plan participants consisted of the following:

Inactive Plan Participants:

Retirees and Beneficiaries Currently Receiving Benefits	618
Terminated Employees Entitled to Deferred Benefits	0
Disabled Employees Entitled to Deferred Benefits	0
	<hr/>
Total	618
	<hr/> <hr/>

Benefits Provided

TRS provides a benefit equal to 2.0% 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. In addition, a one-time 3% increase is applied to the first \$37,500 of the participant's benefit at 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): 1.5% 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 annuity to provide for retiree benefits. There is no additional cost to the employee/retiree, USG, or State of Georgia for this plan. Contributions are made by Augusta University based on the actuarial valuation of the plan. For fiscal year 2018, affiliated organizations contributed \$5,886,802 to the plan on-behalf of the University.

Since this plan was not pre-funded, Augusta University's approach is to collect and deposit as much into the ERP fund in the earlier years as is possible, thereby, realizing a greater return on investment. Effective January 1, 2016, the period to amortize the unfunded accrued liability was extended 2 years. With this change, the plan should be fully

funded by June 30, 2025. 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.

Investments

Augusta 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 USG investment policy. All investments are consistent with USG 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 Augusta University's Investment Policy and Guidelines for managing concentration of credit risk requires that stocks and debt issues be diversified. Augusta University also relies upon the concentration of credit risk policy of the individual investment vehicles related to plan assets. More than 5% of the Pension Plan's Investments are in Western Asset Core Plus Bond Fund, Vanguard Institutional Index Fund, iShares Russell 1000 Value Exchange-traded Fund (ETF), and iShares Russell 1000 Growth ETF. These investments are 5.52%, 40.48%, 7.69%, and 8.73% respectively of the Plan's total investments.

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.42%.

Net Pension Liability (NPL)

The components of the net pension liability at June 30, 2018 were as follows:

Total pension liability	\$ 148,863,688
Plan fiduciary net position	<u>99,022,119</u>
Net pension liability	<u>\$ 49,841,569</u>

Plan Fiduciary Net Position as a percentage of total pension liability is 66.52%.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018 with the results rolled forward to the June 30, 2018 measurement date using the following actuarial assumptions, applied to all periods included in the measurement: (a) rate of return of 7.50% per annum, compounded annually (b) inflation of 3 percent, and (c) cost of living increases of 3 percent per annum.

To better recognize current and future mortality improvements, effective June 30, 2018 mortality rates were based on the RP-2014 White Collar Mortality Table, adjusted to 2006, with generational mortality improvement projected after year 2006 using Scale MP-2017 rather than the previously used RP-2014 Mortality Table, adjusted to 2006, with generational mortality improvement projected after year 2006 using Scale MP-2015.

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 expected 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	81.88%	6.50%
International equity	—%	7.25%
Fixed income	13.21%	1.25%
Real estate	—%	5.75%
Cash	4.91%	0.50%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

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 discount rate 7.50%	1% Increase 8.50%
Net pension liability	\$ 61,955,353	\$ 49,841,569	\$ 39,266,044

Schedule of Changes in Net Pension Liability

For the year ended June 30, 2018, the University recognized net pension liability of \$49,841,569 calculated as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2017	\$ 149,152,995	\$ 90,408,065	\$ 58,744,930
Interest	10,669,543	—	10,669,543
Experience losses (gains)	664,493	—	664,493
Changes of assumptions	2,161,493	—	2,161,493
Contributions - employer	—	13,084,672	(13,084,672)
Net investment income	—	9,314,218	(9,314,218)
Benefit payments	(13,784,836)	(13,784,836)	—
Net Change	(289,307)	8,614,054	(8,903,361)
Balance, June 30, 2018	\$ 148,863,688	\$ 99,022,119	\$ 49,841,569

Affiliated organizations contributed \$5,886,802 to the plan on behalf of the University.

Schedule of Changes in Pension Expense

For the year ended June 30, 2018, the University recognized pension expense of \$6,689,185 from the following sources:

	Pension Expense
Interest	\$ 10,669,543
Projected investment income	(6,754,349)
Recognition of experience (gain)/loss	664,493
Recognition of changes in assumptions	2,161,493
Investment losses (gains)	(51,995)
Pension expense June 30, 2018	<u>\$ 6,689,185</u>

Deferred Outflows/Inflows of Resources

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,249,009</u>	<u>\$ 4,816,389</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2019	\$	(51,997)
2020	\$	(568,604)
2021	\$	(1,434,806)
2022	\$	(511,973)

C. Defined Contribution Plan:

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three 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 institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2018, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable 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 \$128,965,650 (9.24%) and \$83,774,712 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The USG's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

A reconciliation of total estimated claims liabilities for employees and retirees for the fiscal years ended June 30, 2018, and June 30, 2017 is shown below:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Active Employees:		
Unpaid Claims and Claim Adjustments	\$ 51,688,179	\$ 50,977,835
Incurred Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	406,315,366	383,406,114
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	<u>424,536,366</u>	<u>382,695,770</u>
Unpaid Claims and Claim Adjustments	<u>\$ 33,467,179</u>	<u>\$ 51,688,179</u>
Retirees:		
Unpaid Claims and Claim Adjustments	\$ 7,497,596	\$ 8,811,415
Incurred Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	86,808,731	86,008,435
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	<u>89,674,896</u>	<u>87,322,254</u>
Unpaid Claims and Claim Adjustments	<u>\$ 4,631,431</u>	<u>\$ 7,497,596</u>

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 University System of Georgia under powers authorized by the O.C.G.A § 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.

Note 16 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 expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the USG, if any, are generally 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, 2018.

Note 17 Post-Employment Benefits Other Than Pension Benefits

The USG provides two other post-employment benefit plans - the Board of Regents Retiree Health Benefit Plan and the State Employees' Assurance Department Retired and Vested Inactive Members Plan.

Board of Regents Retiree Health Benefit Plan

A. 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 University System Office, an organizational unit of the USG. The Plan's board is the Board of Regents of the University System of Georgia (Board) that is comprised of nineteen members, all appointed by the Governor (five from state-at-large and one from each of the state's fourteen congressional districts). The Plan was authorized pursuant to OCGA § 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 § 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 USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2018, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

Membership of the Plan consisted of the following:

	June 30, 2018	June 30, 2017
Active Employees	48,244	49,820
Retirees or Beneficiaries Receiving Benefits	19,161	20,591
Retirees or Beneficiaries Eligible But Not Receiving Benefits	—	—
Total	<u>67,405</u>	<u>70,411</u>

The contribution requirements of plan members and the employer are established and may be amended by the Board. 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 Board designation.

Organizational units of the University System of Georgia 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 Board for the upcoming plan year. For the 2018 plan year, the employer rate was approximately 90% of the total contributions available to cover health insurance cost for eligible retirees and the retiree rate was approximately 10%. With regard to life insurance, the employer covers the total premium 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 2018, the University System of Georgia contributed \$158,419,937 to the plan for current premiums or claims.

B. Plan Investments

The Plan’s investments are segregated for OPEB in the Board of Regents’ Balanced Income pooled investment 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 pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents. The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Plan’s net asset value in the Balanced Income Fund at June 30, 2018 was \$64,136,763. This balance is reported as pooled investments on the Statement of Fiduciary Net Position.

The following table summarizes the adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
Fixed Income	70%
Equity Allocation	30%

At June 30, 2018, approximately 36.85%, 20.13%, 10.65%, 10.03%, 5.80%, 5.37% and 5.15% of the Plan’s investments were investments in Western Asset Core Bond Portfolio, iShares Core Total U.S. Aggregate Bond ETF, Vanguard Institutional Index Fund, DFA Short-Term Extended Quality, iShares Russell 1000 Growth ETF, iShares Core S&P Small-cap ETF, and iShares Core S&P Mid-cap ETF, respectively. These investments represents 31.08%, 16.98%, 8.98%, 8.46%, 4.89%, 4.53%, and 4.34%, respectively, of the Plan’s fiduciary net position.

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 2.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Plan Net OPEB Liability under GASB 74

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, GASB 74 requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability is actuarially determined.

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.

The components of the net OPEB liability at June 30, 2018, were as follows:

	2018
Total OPEB Liability	\$ 4,486,796,090
Plan Fiduciary Net Position	76,044,991
Net OPEB Liability	<u>\$ 4,410,751,099</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability 1.69%

Discount Rate

The last year in which projected benefit payments are due from the Plan is 2117.

The long-term expected rate of return on OPEB 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 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 expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Fixed Income	1.1%
Equity Allocation	3.98%

* Rates shown are net of the 2.50% assumed rate inflation.

The Plan's projected fiduciary net position at the end of 2022 is \$0, based on the valuation completed for the fiscal year ending June 30, 2018. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2022. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018, pursuant to paragraph 48 of GASB Statement No. 74. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.87% from the Bond Buyers Index.

In projecting the Plan's fiduciary net position, the following assumptions were made:

1. Projected total contributions are simply the pay as you go costs of the plan. Because the current contribution policy is not designed to pre-fund the plan, the unfunded liability is not expected to be paid off at any point in the future.
2. Assumed contributions are based on the contribution policy.
3. Projected benefit payments have been determined in accordance with Paragraphs 30-35 of GASB Statement No. 74, and are based on the closed group of active, retired members and beneficiaries as of June 30, 2018. Benefit payments are assumed to be paid mid-year.
4. Administrative expenses are \$0.5 million for 2019 and are assumed to increase annually with inflation. Expenses are assumed to be paid mid-year.
5. Projected investment earnings are based on the assumed investment rate of return of 4.50% per annum.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate (3.87%):

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Net OPEB Liability	\$ 5,262,300,218	\$ 4,410,751,099	\$ 3,744,760,263

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 3,719,384,943	\$ 4,410,751,099	\$ 5,320,398,518
Pre-Medicare Eligible	6.1% decreasing to 3.5%	7.1% decreasing to 4.5%	8.1% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

Actuarial Methods and Assumptions

The impact of the Affordable Care Act (ACA) was addressed in the valuations for the Regents Plan. While the impact of certain provisions [such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate] should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

Projections of benefits for financial reporting purposes are based on the substantive plan (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	May 1, 2018. Update procedures were used to roll forward the total OPEB liability to June 30, 2018.
Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2018 3.87% from Bond Buyers Index Interest Rate as of 6/30/2017 3.58% from Bond Buyers Index Long-term Rate of Return 4.50% General Inflation 2.50% Salary Increase 4.00%
Mortality Rates	Healthy: RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Healthcare Cost Trend	
Pre-Medicare Eligible	7.1%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	2030 for Pre-Medicare Eligible, 2019 for Medicare Eligible
Experience Study	Based on the experience of the Teachers Retirement System of Georgia ¹

¹ The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation for the Plan were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

D. USG's Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB under GASB 75

The USG's net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016 with roll-forward procedures performed to update the total liability to June 30, 2017. The USG's net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the USG's net OPEB liability related to the Plan was \$4,219,725,872, which was an increase of \$17,272,070 from the liability measured as of June 30, 2016.

For the year ended June 30, 2018, the USG recognized OPEB expense of \$303,276,109. At June 30, 2018, the USG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,402,846	\$ —
Changes of assumptions	—	288,955,936
Net difference between projected and actual earnings on OPEB plan investments	132,954	—
Contributions subsequent to the measurement date	158,419,937	—
Total	<u>\$ 260,955,737</u>	<u>\$ 288,955,936</u>

The USG's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2019	\$	(37,654,255)
2020	\$	(37,654,255)
2021	\$	(37,654,255)
2022	\$	(37,654,255)
2023	\$	(35,803,116)
Thereafter	\$	—

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.

The components of the net OPEB liability at June 30, 2017, were as follows:

Total OPEB Liability	\$ 4,227,583,095
Plan Fiduciary Net Position	(7,857,223)
Net OPEB Liability	<u>\$ 4,219,725,872</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability 0.19%

The changes in net OPEB liability at June 30, 2017, were as follows:

<u>Total OPEB Liability</u>		
Service Cost	\$	211,512,614
Interest		124,612,066
Differences Between Expected and Actual Experience		123,090,290
Changes of Assumptions		(347,330,873)
Benefit Payments/Refunds		(89,653,306)
		<hr/>
Net Change in Total OPEB Liability		22,230,791
Total OPEB Liability - Beginning		4,205,352,304
		<hr/>
Total OPEB Liability - Ending (a)	\$	<u>4,227,583,095</u>
 <u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$	99,583,903
Net Investment Income		72,961
Administrative Expense		(5,044,837)
Benefit Payments/Refunds		(89,653,306)
		<hr/>
Net Change in Plan Fiduciary Net Position		4,958,721
Plan Fiduciary Net Position - Beginning		2,898,502
		<hr/>
Plan Fiduciary Net Position - Ending (b)	\$	<u>7,857,223</u>
		<hr/>
Net OPEB Liability Ending (a - b)	\$	<u>4,219,725,872</u>

Discount Rate

The last year in which projected benefit payments are due from the Plan is 2115.

The long-term expected rate of return on OPEB 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 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 expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash Equivalents	Less than 5%	2.6%
Fixed Income	60% to 70%	
Domestic Fixed Income (Corporate Long Term)		4.2%
Domestic Fixed Income (Corporate Short Term)		3.5%
International Fixed Income		4.9%
Equity Allocation	30% to 40%	
Domestic Equity (Large Cap)		6.5%
International Equity		7.3%

The Plan's projected fiduciary net position at the end of 2018 is \$0, based on the valuation completed for the fiscal year ending June 30, 2017. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2018. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017, pursuant to paragraph 48 of GASB Statement No. 74. Instead, a yield or index rate for a 20 year,

tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 3.58% from the Bond Buyer.

In projecting the Plan's fiduciary net position, the following assumptions were made:

1. Projected total contributions are simply the pay as you go costs of the plan. Because the current contribution policy is not designed to pre-fund the plan, the unfunded liability is not expected to be paid off at any point in the future.
2. Assumed contributions are based on the contribution policy.
3. Projected benefit payments have been determined in accordance with Paragraphs 30-35 of GASB Statement No. 75, and are based on the closed group of active, retired members and beneficiaries as of June 30, 2017. Benefit payments are assumed to be paid mid-year.
4. Administrative expenses are \$0.0 million for 2017. Expenses are assumed to be paid mid-year.
5. Projected investment earnings are based on the assumed investment rate of return of 4.50% per annum. The first year's earnings have been adjusted to account for the actual return through June 30, 2017.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate (3.58%):

	1% Decrease 2.58%	Current Rate 3.58%	1% Increase 4.58%
Net OPEB Liability	\$ 5,040,938,351	\$ 4,219,725,872	\$ 3,579,534,581

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 3,559,505,220	\$ 4,219,725,872	\$ 5,091,997,068
Pre-Medicare Eligible	6.3% decreasing to 3.5%	7.3% decreasing to 4.5%	8.3% decreasing to 5.5%
Medicare Eligible	6.3% decreasing to 3.7%	7.3% decreasing to 4.7%	8.3% decreasing to 5.7%

Actuarial Methods and Assumptions

The impact of the Affordable Care Act (ACA) was addressed in the valuations for the Regents Plan. While the impact of certain provisions [such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate] should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

Projections of benefits for financial reporting purposes are based on the substantive plan (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, 2016. Update procedures were used to rolled forward the total OPEB liability to June 30, 2017.
Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Interest Rate as of 6/30/2016 2.85% from Bond Buyer Interest Rate as of 6/30/2017 3.58% from Bond Buyer Long-term Rate of Return 4.50% General Inflation 2.50% Salary Growth 3.00% Salary Scale 4.00%
Mortality Rates	Healthy: RP-2014 Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	7.3%
Medicare Eligible	7.3%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.7%
Year Ultimate Trend is Reached	2031 for Pre-Medicare Eligible, 2072 for Medicare Eligible
Experience Study	Based on the experience of the Teachers Retirement System of Georgia: July 1, 2009 - June 30, 2014

Changes in Assumptions Since Prior Valuation

Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

State Employees' Assurance Department Retired and Vested Inactive Members Plan

A. Plan Description and Funding Policy

State Employees' Assurance Department Retired and Vested Inactive Members Plan (SEAD-OPEB) was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of the Employees' Retirement System of Georgia (ERS), the Legislative Retirement System (LRS), and the Georgia Judicial Retirement System (GJRS). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan as defined in GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than OPEB Plans*. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

Benefits provided:

The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

Contributions:

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of 1% of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2018.

B. OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB under GASB 75

At June 30, 2018, the USG reported an asset of \$2,044,332 for its proportionate share of the net OPEB asset, which is reported as other assets on the Statement of Net Position. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2016. An expected total OPEB asset as of June 30, 2017 was determined using standard roll-forward techniques. The USG's proportion of the net OPEB asset was based on actual member salaries reported to the SEAD-OPEB plan during the fiscal year ended June 30, 2017. At June 30 2017, the USG's proportion was .786570%, which was an increase of .102371% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the USG recognized OPEB expense of (\$255,873). At June 30, 2018, the USG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on OPEB plan investments	—	314,467
Changes in proportion and differences between contributions and proportionate share of contributions	33,997	165,783
Contributions subsequent to the measurement date	—	—
Total	<u>\$ 33,997</u>	<u>\$ 480,250</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2019	\$	(145,031)
2020	\$	(145,032)
2021	\$	(78,090)
2022	\$	(78,100)

Actuarial assumptions:

The total OPEB asset as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate	N/A

Postretirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of plan investment expense and the assumed rate of 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 expected inflation. The target asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.50)%
Domestic large equities	37.20%	9.00 %
Domestic mid equities	3.40%	12.00 %
Domestic small equities	1.40%	13.50 %
International developed market equities	17.80%	8.00 %
International emerging market equities	5.20%	12.00 %
Alternatives	5.00%	10.50 %
Total	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate:

The discount rate used to measure the total OPEB asset was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Sensitivity of the Employer's proportionate share of the net OPEB asset to changes in the discount rate:

The following presents the USG's proportionate share of the net OPEB asset calculated using the discount rate of 7.50%, as well as what the USG's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.5%	Current Rate 7.5%	1% Increase 8.5%
Net OPEB Asset	\$ 1,118,951	\$ 2,044,332	\$ 2,802,722

OPEB plan fiduciary net position:

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ERS comprehensive annual financial report which is publically available at ers.ga.gov/financials.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal year 2018 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 1,008,756,639	\$ 341,311,670	\$ 366,397,312	\$ 2,304,542	\$ 20,921,095
Research	458,717,427	314,615,773	154,897,885	267,963	32,685,653
Public Service	41,850,587	148,438,928	56,038,672	602,834	7,096,044
Academic Support	63,799,385	267,642,221	86,597,701	330,507	6,697,786
Student Services	3,253,302	184,843,015	53,965,056	330,161	4,473,239
Institutional Support	10,166,527	338,987,488	167,774,112	7,669,044	7,008,622
Plant Operations and Maintenance	258,741	204,566,735	61,597,084	49,771	795,906
Scholarships and Fellowships	250	78,645	165,104	876,099	118
Auxiliary Enterprises	635,928	222,418,613	53,204,166	2,733,585	3,451,124
Patient Care	85,851,306	118,995,878	39,472,055	2,774	485,303
Total Operating Expenses	<u>\$ 1,673,290,092</u>	<u>\$ 2,141,898,966</u>	<u>\$ 1,040,109,147</u>	<u>\$ 15,167,280</u>	<u>\$ 83,614,890</u>

Functional Classification	Natural Classification				
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	Total Operating Expenses
Instruction	\$ 12,607,550	\$ 5,355,211	\$ 173,365,079	\$ 71,994,000	\$ 2,003,013,098
Research	5,670,173	4,722,929	341,551,962	86,384,532	1,399,514,297
Public Service	1,562,566	3,231,057	165,792,812	8,662,760	433,276,260
Academic Support	560,087	3,712,829	143,578,480	54,504,740	627,423,736
Student Services	4,236,758	3,320,914	81,362,773	22,577,589	358,362,807
Institutional Support	2,462,091	8,181,677	649,093,731	41,130,939	1,232,474,231
Plant Operations and Maintenance	—	119,008,050	225,991,964	89,235,609	701,503,860
Scholarships and Fellowships	273,224,278	198	1,057,854	2,564	275,405,110
Auxiliary Enterprises	29,268,806	37,707,366	364,366,166	117,724,992	831,510,746
Patient Care	—	257,964	130,374,609	—	375,439,889
Total Operating Expenses	<u>\$ 329,592,309</u>	<u>\$ 185,498,195</u>	<u>\$ 2,276,535,430</u>	<u>\$ 492,217,725</u>	<u>\$ 8,237,924,034</u>

Note 19 Subsequent Event

In fiscal year 2019, the Board, by and on behalf of Abraham Baldwin Agricultural College, transferred all real property, buildings and the majority of all equipment of the Bainbridge and Blakely campuses with a cost of \$62,837,355 and accumulated depreciation of \$18,012,947 to the Southern Regional Technical College, an organizational unit of the Technical College System of Georgia. In addition, the University System of Georgia Foundation extinguished Abraham Baldwin Agricultural College's lease agreement related to the Bainbridge Student Wellness Center located on the Bainbridge campus. At June 30, 2018, the outstanding liability related to this lease is \$17,788,041.

In December 2017, the Board, by and on behalf of Georgia Institute of Technology, entered into a lease agreement with Georgia Tech Cobb Research Campus, LLC, a wholly-owned subsidiary of Georgia Advanced Technology Ventures (GATV), a component unit, for the Georgia Tech Cobb Research Campus. This facility will be used by Georgia Institute of Technology for ongoing research activities. The lease term is for thirty-one and one half years. Pre-payments for rent during the construction period began December 2017, however, rental payments for the lease period will not begin until June 1, 2019. Total estimated rental payments will be \$127,863,834 over the lease period. Monthly rental payments will include base rent and a repair and replacement contribution. The capital lease liability and capital asset will be recorded on Georgia Institute of Technology's books in fiscal year 2019 once construction is completed and the certificate of occupancy has been issued in May 2019.

In March 2018, the Board, by and on behalf of the Georgia Institute of Technology, entered into a lease agreement with Georgia Tech Facilities, Inc, a component unit, for the Dalney Building. This facility will be used by Georgia Institute of Technology for office space and an attached parking facility. The lease term is for thirty-one years and five months. Pre-payments for rent during the construction period began March 2018, however, rental payments for the lease period will not begin until September 1, 2019. Total estimated rental payments will be \$71,064,952 over the lease period. Monthly rental payments will include base rent and a repair and replacement contribution. Total rental payments for fiscal year 2019 are expected to equal \$1,584,948. The capital lease liability and capital asset will be recorded on Georgia Institute of Technology's books in fiscal year 2020 once construction is complete and the certificate of occupancy is issued in October 2019.

Note 20 Component Units

Related organizations promote, support, and assist the USG in its role in accordance with stated system needs and goals. Together, they add significantly to the USG assets and revenues for programs and services, and ultimately enhance the USG's performance of its mission. The USG has twenty-five related organizations that are considered component units of the State of Georgia and, thus, are required to be reported in the USG's financial statements. Although the USG is not fiscally accountable for these entities, it has been determined that the nature and significance of the relationship between the USG and these organizations is such that exclusion from the USG's financial statements would render them misleading. An annual audit of each component unit's financial statements is conducted by independent accounting firms. The twenty-five organizations included in this presentation are described below:

AU Health Systems, Inc.

AU Health System, Inc. (AUHS) located in Augusta, Georgia, was incorporated under the laws of the State of Georgia as a nonprofit corporation on June 1, 2010. AUHS qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Service Code. The purpose of the AUHS is to further the health sciences education missions and other tax-exempt functions and purposes of Augusta University (AU), AU Medical Associates, Inc. (AUMA), AU Medical Center, Inc. (AUMC), Roosevelt Warm Springs Rehabilitation & Specialty Hospitals, Inc. (RWSH) and other cooperating organizations and entities with AU.

During the year ended June 30, 2018, AUHS, AUMC, RWSH, and AUMA completed a series of corporate and governance changes (the Reorganization) to better align the entities within AUHS and allow for efficient and integrated funds flow and accounting. As a result of the Reorganization, AUMA became a blended component unit of AUHS. Prior to the Reorganization, AUMA was a component unit of AU and AUMA's financial position and operating results were not included in AUHS's financial statements. In addition, as a result of the Reorganization, AUMC and RWSH became blended component units of AUHS. Prior to the Reorganization, AUMC and RWSH were discretely presented component units within AUHS's financial statements. As part of the Reorganization, MCGH/PPG Reproductive Lab, LLC became a part of the integrated health system. This was not included in the prior year as it was a joint venture between AUMC and AUMA and had its own set of financial statements. AUHS has retrospectively restated its financial statements for the change in reporting entity as if it had occurred as of the start of the year ended June 30, 2017.

Augusta University Foundation, Inc.

The Augusta University Foundation (AUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The AUF acts primarily as a fund-raising organization to supplement the resources that are available to Augusta University in support of its programs. During the year ended June 30, 2018, the AUF distributed approximately \$1,107,378 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

Augusta University Research Institute, Inc.

Augusta University Research Institute (AURI) is a legally separate, tax-exempt component unit of the State of Georgia reporting entity. The AURI serves to enhance the research mission of Augusta University by securing sponsored research funding and by providing funding of special research initiatives. During the year ended June 30, 2018, the AURI distributed approximately \$60,279,814 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

Georgia Advanced Technology Ventures, Inc.

The Georgia Advanced Technology Ventures (GATV) is a legally separate, not-for-profit corporation under the laws of the state of Georgia. GATV is a supporting organization of the Institute focused on technology, commercialization, economic development and relevant real estate development. GATV provides support for technology transfer and economic development activities, including the Institute's Advanced Technology Development Center (ATDC) incubator facilities and services to ATDC-affiliated companies.

GATV reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB audited financial statements were reclassified to the GASB presentation for these financial statements.

Georgia College & State University Foundation, Inc.

The Georgia College & State University Foundation (GC&SUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The GC&SUF acts primarily as a fund raising organization to supplement the resources that are available to Georgia College & State University in support of its programs. During the year ended June 30, 2018, the GC&SUF distributed approximately \$822,000 to Georgia College & State University in support of scholarships and other supporting activities.

Georgia Gwinnett College Foundation, Inc.

Georgia Gwinnett College Foundation, Inc. (GGCF) was established on May 8, 2006 to serve as an advocate for Georgia Gwinnett College, a unit of the University System of Georgia.

GGCF's primary object is to receive, invest, account for, and allocate private gifts and contributions in support of the College.

Georgia Health Sciences Foundation, Inc.

The Georgia Health Sciences Foundation (GHSF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The GHSF acts primarily as a fund-raising organization to supplement the resources that are available to Augusta University in support of its programs. During the year ended June 30, 2018, the GHSF distributed approximately \$5,690,616 to Augusta University in support of capital outlay projects, scholarships, and other supporting activities.

Georgia Southern University Housing Foundation, Inc.

The Georgia Southern University Housing Foundation, Inc. (GSUHF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The GSUHF is a legally separate, tax-exempt affiliated organization which supports Georgia Southern University (GSU). GSUHF acts primarily as an organization to issue bonds which are utilized to acquire and/or construct student housing and other student facilities that are available to GSU in support of its programs. The board of the GSUHF is self-perpetuating and consists of employees and friends of GSU. Because the organization's purpose is for the benefit of GSU, the GSUHF is considered a component unit of the State of Georgia reporting entity and is discretely presented in these financial statements.

Georgia State University Athletic Association, Inc.

The Georgia State University Athletic Association, Inc. (GSUAA) administers Georgia State University's intercollegiate athletics program, including fund-raising to support scholarships. During the year ended June 30, 2018, the GSUAA distributed approximately \$11 million to the Georgia State University for athletic scholarship support and other payments that were either expense reimbursements or support for Georgia State University's intercollegiate athletics program.

Georgia State University Foundation, Inc.

The Georgia State University Foundation, Inc. and Subsidiaries (GSUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The GSUF acts primarily as a fund-raising organization to supplement the resources that are available to the Georgia State University in support of its programs. During the year ended June 30, 2018, the GSUF distributed approximately \$19,013,313 to Georgia State University in support of capital outlay projects, scholarships and other supporting activities.

Georgia State University Research Foundation Inc.

Georgia State University Research Foundation (GSURF) is a legally separate, tax-exempt component unit of Georgia State University (GSU) and was established to contribute to the scientific, literary, educational, and charitable functions of GSU in securing gifts, contributions, and grants from individuals, private organizations, and public agencies, and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs by the various colleges, schools, departments or other units of GSU. Most of the research grants awarded to GSURF are subcontracted to GSU, which is responsible for the fiscal administration of the grants. The ten member board of GSURF is self-perpetuating and consists of faculty and administrators of GSU. Because the resources held by GSURF can only be used by or for the benefit of GSU, GSURF is considered a component unit of the State of Georgia and is discretely presented in University System of Georgia's financial statements.

GSURF is considered a special-purpose government entity engaged only in business-type activities and is required to follow all applicable GASB pronouncements. GSURF's fiscal year is July 1 through June 30.

Georgia Tech Athletic Association

The Georgia Tech Athletic Association (GTAA) is a legally separate not-for-profit corporation under the laws of the state of Georgia. The primary purpose of the GTAA is to promote the educational programs of the Georgia Institute of Technology through student body participation in healthful exercises, recreations, athletic games and contests. The GTAA's mission is to inspire and empower student-athletes to be champions of academics, competition and life while emphasizing the four core values of excellence, innovation, teamwork and character. The GTAA reports under GASB standards.

For the year ended June 30, 2018, the GTAA distributed \$41 million to the Georgia Institute of Technology for athletic scholarships and other supporting activities.

Georgia Tech Facilities, Inc.

The Georgia Tech Facilities, Inc. (GTFI) is a legally separate, not-for-profit corporation under the laws of the state of Georgia. The purpose of GTFI is to construct buildings and other facilities as may be appropriate to meet the needs and goals of the Georgia Institute of Technology. Funding for construction is obtained by the Organization from contributions or from financing with debt service funded by support from various sources.

Additionally, the FASB reported Investment in Direct Financing Leases and Net Position was increased \$51,965,155 for external financial reporting purposes in these financial statements. This adjustment was necessary as GTFI amortizes Investment in Direct Financing Leases on a straight-line method.

GTFI reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB audited financial statements were reclassified to the GASB presentation for these financial statements.

Georgia Tech Foundation, Inc.

The Georgia Tech Foundation (GTF) is a legally separate, not-for-profit corporation under the laws of the state of Georgia. The purposes of the Foundation are to promote higher education in the state of Georgia, to raise and receive funds for the support and enhancement of the Georgia Institute of Technology (GT), and to aid GT in its development as a leading educational institution.

The Foundation reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB audited financial statements were reclassified to the GASB presentation for these financial statements.

The FASB reported amounts for Investment in Direct Financing Leases and Net Position were adjusted for the GTF by \$19,012,839 for external financial reporting purposes in these financial statements. Both GT and GTF use the effective interest rate method to amortize leases. However, GT uses the Sources and Uses of Funds and the average coupon rate which is a higher interest rate than the interest rate in the actual bond documents used by GTF. Thus, an adjustment was necessary for financial statement presentation.

Georgia Tech Research Corporation

The Georgia Tech Research Corporation (GTRC) is a legally separate, not-for-profit corporation under the laws of the state of Georgia. The GTRC is organized and operated primarily for the purpose of soliciting grants and contracts, accepting grants or entering into contracts for research or services to be performed by or in conjunction with the Georgia Institute of Technology (GT) or to be performed using GT's facilities, and for related objectives. The GTRC reports under GASB standards.

For year ended June 30, 2018, the GTRC distributed \$755 million to GT for research contracts sub-awarded to GT. GT is obligated under various operating lease agreements with the GTRC, a related party. This information is disclosed in Note 13, Leases.

Kennesaw State University Foundation, Inc.

The Kennesaw State University Foundation (KSUF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The KSUF acts primarily as a fund-raising organization to supplement the resources that are available to the Kennesaw State University (KSU) in support of its programs. During the year ended June 30, 2018, the KSUF distributed approximately \$5,358,464 to KSU in support of capital outlay projects, scholarships and other supporting activities.

Medical College of Georgia Foundation

Medical College of Georgia Foundation, Inc. (MCGF) is a nonprofit corporation incorporated under the laws of the State of Georgia in 1954. The MCGF serves the needs and interests of the Medical College of Georgia, the Augusta University Health Sciences campus, and the Augusta University Health System. The MCGF presents its financial statements in accordance with Financial Accounting Standards Board (FASB) ASC, Financial Statements of Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

The MCGF receives and administers funds for the support of the Medical College of Georgia, the Augusta University Health Sciences campus, and the Augusta University Health System, and manages investments and distributed funds in accordance with donor instructions and board of director's intentions for gifts. The MCGF provides support for faculty chairs, research, scholarships, and other institutional programs. During the year ended June 30, 2018, the MCGF paid approximately \$5,858,829 to Augusta University and its affiliates in support of students and University programs. The MCGF paid approximately \$599,529 to non-affiliated organizations on behalf of Augusta University.

Middle Georgia State University Real Estate Foundation, Inc.

The Middle Georgia State University Real Estate Foundation (MGAREF) is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

MGAREF is a nonprofit corporation originally incorporated on August 31, 1973 for the purpose of promoting, in various ways, the cause for higher education, expanding educational opportunities, supporting athletic programs, and acquiring and administering funds to be used to award scholarships and create endowments for the benefit of students and faculty of Middle Georgia State University (MGSU). MGAREF was restructured on February 25, 2013 to acquire, construct, supervise, administer and manage assets and properties, real and personal that are held and used exclusively for the benefit of MGSU.

University of Georgia Athletic Association, Inc.

The University of Georgia Athletic Association, Inc. (UGAAA) is a legally separate, tax-exempt component unit of the State of Georgia. The UGAAA was organized in 1928 as a not-for-profit corporation to promote intercollegiate athletic sports representing the University of Georgia (UGA). Although UGA is not fiscally accountable for the UGAAA, the nature and significance of the relationship between UGA and the UGAAA is such that exclusion from these financial statements would render them misleading.

During the year ended June 30, 2018, the UGAAA made payments to UGA for services such as food services, parking services, health services, tuition, gas, electricity, security, and golf course maintenance. These payments totaled \$54 million.

University of Georgia Foundation

The University of Georgia Foundation (UGAF) is a not for profit foundation that was chartered in 1937 to receive and administer contributions for the support of the academic programs of the University of Georgia (UGA). UGAF reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements.

During the year ended June 30, 2018, UGAF distributed \$58.5 million to UGA for both restricted and unrestricted purposes.

University of Georgia Research Foundation, Inc.

The University of Georgia Research Foundation (UGARF) is a legally separate, tax-exempt affiliated organization of the University of Georgia (UGA). The UGARF serves to enhance the research mission of UGA by securing sponsored research funding and by providing funding of special research initiatives. All UGA intellectual property developed through these research programs is managed by the UGARF. The seventeen-member board of the UGARF consists of designated UGA personnel, appointees of several UGA constituent groups, and individuals selected by the UGARF itself. All sponsored research awards are subcontracted to UGA and other resources and related income are used to benefit the teaching, research, and outreach missions of UGA.

The UGARF is considered a special-purpose government entity engaged only in business-type activities and is required to follow all applicable GASB pronouncements. The UGARF's fiscal year is July 1 through June 30.

The UGARF includes one component unit; the UGA Real Estate Foundation, Inc. (UGAREF). The UGARF is the sole corporate member of the UGAREF and its activities are included in the financial statements using a blended presentation. The UGAREF manages and improves various real estate assets for the benefit of UGA. The UGAREF may also provide support to the Board of Regents of the University System of Georgia and its affiliated institutions.

University of North Georgia Real Estate Foundation, Inc.

The University of North Georgia Real Estate Foundation, Inc. and Subsidiaries (UNGREF), is a nonprofit foundation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The UNGREF was formed and incorporated under the laws of the state of Georgia in July 2009. The purpose of the UNGREF is to serve the needs and interest of the University of North Georgia (UNG) and to benefit and promote the well-being of its administration, faculty, staff, student body, and the people and communities served by UNG; and to acquire, lease, receive, accept, develop, manage, encumber, assign, sell, transfer and convey real property to be administered exclusively for charitable purposes for the benefit of UNG.

UWG Real Estate Foundation, Inc.

UWG Real Estate Foundation, Inc. (UWGREF) is a legally separate, tax-exempt component unit of the University of West Georgia (UWG). The UWGREF constructs research and auxiliary buildings and facilities for use by UWG and then leases the completed buildings to UWG. The nine-member board of the UWGREF is self-perpetuating and consists of graduates and friends of UWG. Although UWG does not control the timing or amount of receipts from the UWGREF,

the majority of resources or income thereon that the UWGREF holds and invests is restricted to real estate activities of UWG. Because these restricted resources held by the UWGREF can only be used by or for the benefit of UWG, the UWGREF is considered a component unit of the State of Georgia and is discretely presented in these financial statements.

The UWGREF acts primarily as a fund-raising organization to supplement the resources that are available to UWG in support of its programs. During the year ended June 30, 2018, the UWGREF distributed approximately \$62,659 to UWG in support of capital outlay projects, scholarships and other supporting activities.

University System of Georgia Foundation, Inc.

The University System of Georgia Foundation, Inc. (USGF) is a nonprofit foundation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), and was formed on August 10, 1995. The USGF was organized and operates under the laws of the State of Georgia to serve the needs and interests of the University System of Georgia (USG).

The USGF is a cooperative organization of the USG. Its mission is to advance the USG, as a whole, consistent with the priorities determined by the USGF Board of Trustees. The USGF's support comes primarily from contributions and grants from individuals and corporations, and from leasing activities within the USG. The USGF has four primary goals, which are: to cultivate private support for scholarships for students to attend USG institutions, to serve as the administrative center for private grants awarded to USG office staff in "Research and Development (R&D) Centers" that feature the strategic priorities of the Board of Regents and that involve multiple USG institutions, to provide support to the Office of the Chancellor of the USG, to facilitate financing of capital improvement projects at USG institutions. During fiscal year 2018, the USGF awarded \$1.5 million in scholarships in support of various institutions within the USG.

VSU Auxiliary Services Real Estate Foundation, Inc.

The VSU Auxiliary Services Real Estate Foundation, Inc (VSUREF) is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 17, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified to the GASB presentation for external financial reporting purposes in these financial statements. The VSUREF's fiscal year is January 1 through December 31.

The VSUREF was organized to support Valdosta State University (VSU) in its mission to provide excellent higher education to its constituencies, and to provide broad advice, consultation and support to the President of VSU. The VSUREF's primary efforts are directed toward developing VSU's facilities and infrastructure as identified in the strategic planning process and the master plan of VSU. In addition, the VSUREF may provide such services as administration of assets, advice, consultation and support to the Board of Regents and the colleges and universities of the University System of Georgia and their affiliated support organizations. The VSUREF's primary source of revenue are lease payments, and repairs and maintenance and other fees received from the Board of Regents.

Combined component unit's endowments are comprised of the following amounts at June 30, 2018:

	Unrestricted/ Quasi Endowment	Temporarily Restricted/ Term Endowment	Permanently Restricted/ True Endowment	Total
Beginning	\$ 392,971,015	\$ 971,202,077	\$ 1,472,617,409	\$ 2,836,790,501
Contributions	8,791,582	14,652,183	90,775,285	114,219,050
Net realized and unrealized gains	38,893,185	185,986,476	5,909,402	230,789,063
Appropriation of endowment assets for expenditure	(23,238,986)	(96,053,757)	(5,045,656)	(124,338,399)
Transfers to comply with donor intent	176,195	(897,563)	(1,114,579)	(1,835,947)
Other	6,314,616	24,907,091	328,000	31,549,707
Ending	\$ 423,907,607	\$ 1,099,796,507	\$ 1,563,469,861	\$ 3,087,173,975

Combined component unit's investments are comprised of the following amounts at June 30, 2018:

Investment type	Fair Value	Fair Value Hierarchy			
		Level 1	Level 2	Level 3	NAV
Debt Securities					
U.S. Treasuries	\$ 139,279,830	\$ 113,535,013	\$ 25,744,817	\$ —	\$ —
U.S. Agencies					
Explicitly Guaranteed	863,251	—	863,251	—	—
Implicitly Guaranteed	17,658,902	12,095,905	5,562,997	—	—
Bond Securities					
	239,362,153	181,636,839	191,314	—	57,534,000
Corporate Debt					
	91,394,418	13,920,429	77,473,989	—	—
Money Market Mutual Funds					
	135,839,857	134,680,959	1,158,898	—	—
Municipal Obligations					
	7,572,369	—	7,572,369	—	—
Mutual Bond Funds					
	82,651,835	17,812,129	64,839,706	—	—
Certificates of Deposits					
	750,000	750,000	—	—	—
Repurchase Agreements					
	54,466,742	6,142,188	48,324,554	—	—
Other Investments					
Equity Mutual Funds - Domestic	109,284,362	109,284,362	—	—	—
Equity Mutual Funds - International	261,174,913	261,174,913	—	—	—
Equity Securities - Domestic	641,563,452	640,811,633	382,819	—	369,000
Equity Securities - International	461,468,084	422,636,084	—	—	38,832,000
Real Estate Held for Investment Purposes	57,360,674	—	—	57,360,674	—
Real Estate Investment Trusts	68,309,337	33,780,819	—	508,518	34,020,000
Other	1,484,172,461	114,110,461	8,283,563	148,499,033	1,213,279,404
	3,853,172,640	\$ 2,062,371,734	\$ 240,398,277	\$ 206,368,225	\$ 1,344,034,404
Investment Pools					
Board of Regents					
Short-Term Fund	83,414,889				
Legal Fund	551,194				
Balanced Income Fund	10,959,592				
Total Return Fund	441,548				
Diversified Fund	4,738,572				
Diversified Fund for Foundations	14,998,436				
Office of the State Treasurer					
Georgia Fund 1	279,127				
Total Investments	\$ 3,968,555,998				

Component unit investments of \$122,041,825 are reported as cash and cash equivalents on the Statement of Net Position.

Combined component unit's capital assets are comprised of the following amounts at June 30, 2018:

	Total
Capital Assets, Not Being Depreciated:	
Land	\$ 147,897,722
Capitalized Collections	3,117,193
Construction Work-in-Progress	79,648,830
Software Development-in-Progress	16,044,727
Total Capital Assets Not Being Depreciated	<u>246,708,472</u>
Capital Assets, Being Depreciated/Amortized:	
Infrastructure	4,190,671
Building and Building Improvements	907,136,484
Facilities and Other Improvements	237,946,905
Equipment	306,748,088
Capital Leases	66,936,210
Software	36,063,933
Total Capital Assets being Depreciated/Amortized	<u>1,559,022,291</u>
Less Total Accumulated Depreciation/Amortization	<u>645,527,946</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>913,494,345</u>
Capital Assets, Net	<u>\$ 1,160,202,817</u>

Combined amounts due to component units related to direct financing lease activity as of June 30, 2018 is as follows:

Year Ending June 30:	Year:	Total
2019	1	\$ 196,578,730
2020	2	199,557,987
2021	3	201,379,506
2022	4	201,835,068
2023	5	201,029,210
2024 through 2028	6-10	1,001,692,972
2029 through 2033	11-15	908,727,208
2034 through 2038	16-20	665,843,968
2039 through 2043	21-25	200,323,826
2044 through 2048	26-30	2,589,544
Total minimum lease payments to be received		<u>3,779,558,019</u>
Unearned Income		<u>(1,395,278,023)</u>
Net Investment in Direct Financing Lease		<u>\$ 2,384,279,996</u>

Combined component unit's long-term liabilities are comprised of the following amounts at June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within One Year
Claims and Judgments	\$ 2,226,304	\$ —	\$ 180,688	\$ 2,045,616	\$ 1,279,688
Compensated Absences	19,192,484	4,774,759	4,165,870	19,801,373	19,801,373
Lease Purchase Obligation (Capital Lease)	92,201,115	2,680,297	11,954,669	82,926,743	8,267,512
Liabilities under Split Interest Agreement	29,120,130	719,773	1,784,788	28,055,115	2,369,700
Notes and Loans Payable	201,905,212	84,640,488	17,991,831	268,553,869	80,813,416
Note (Discount)/Cost of Issuance	(977,012)	(1,122,118)	(405,156)	(1,693,974)	—
Interest Rate Swap	57,857,348	5,823,186	33,504,458	30,176,076	—
Net Other Post Employment Benefits Liability	11,531,792	6,957,347	12,323,460	6,165,679	—
Pollution Remediation	601,341	—	39,412	561,929	561,929
Revenue/Mortgage Bonds Payable	3,032,153,792	572,298,047	485,799,310	3,118,652,529	92,182,022
Bond - Premium	131,095,057	61,545,093	11,115,301	181,524,849	—
Bond - (Discount)/Cost of Issuance	(64,877,568)	(4,033,095)	(10,385,557)	(58,525,106)	—
Total Long Term Liabilities	\$ 3,512,029,995	\$ 734,283,777	\$ 568,069,074	\$ 3,678,244,698	\$ 205,275,640

Combined component unit's capital lease obligations are comprised of the following amounts at June 30, 2018:

Year ending June 30:		
2019	1	\$ 12,590,551
2020	2	11,478,069
2021	3	10,084,477
2022	4	9,318,186
2023	5	8,073,340
2024 through 2028	6-10	30,046,406
2029 through 2033	11-15	28,422,919
2034 through 2038	16-20	4,540,308
Total minimum lease payments		114,554,256
Less: Interest		31,627,513
Principal Outstanding		\$ 82,926,743

Combined component unit's notes and loans are comprised of the following amounts at June 30, 2018:

Year ending June 30:		Principal	Interest	Total
2019	1	\$ 80,813,416	\$ 5,191,946	\$ 86,005,362
2020	2	115,192,082	4,119,657	119,311,739
2021	3	3,279,095	3,422,924	6,702,019
2022	4	3,396,839	3,307,656	6,704,495
2023	5	3,111,005	3,239,190	6,350,195
2024 through 2028	6-10	49,476,895	5,492,127	54,969,022
2029 through 2033	11-15	8,874,138	2,151,265	11,025,403
2034 through 2038	16-20	3,685,399	431,387	4,116,786
2039 through 2043	21-25	725,000	16,218	741,218
		268,553,869	27,372,370	295,926,239
Note (Discount)/Cost of Issuance		(1,693,974)	—	(1,693,974)
Total		\$ 266,859,895	\$ 27,372,370	\$ 294,232,265

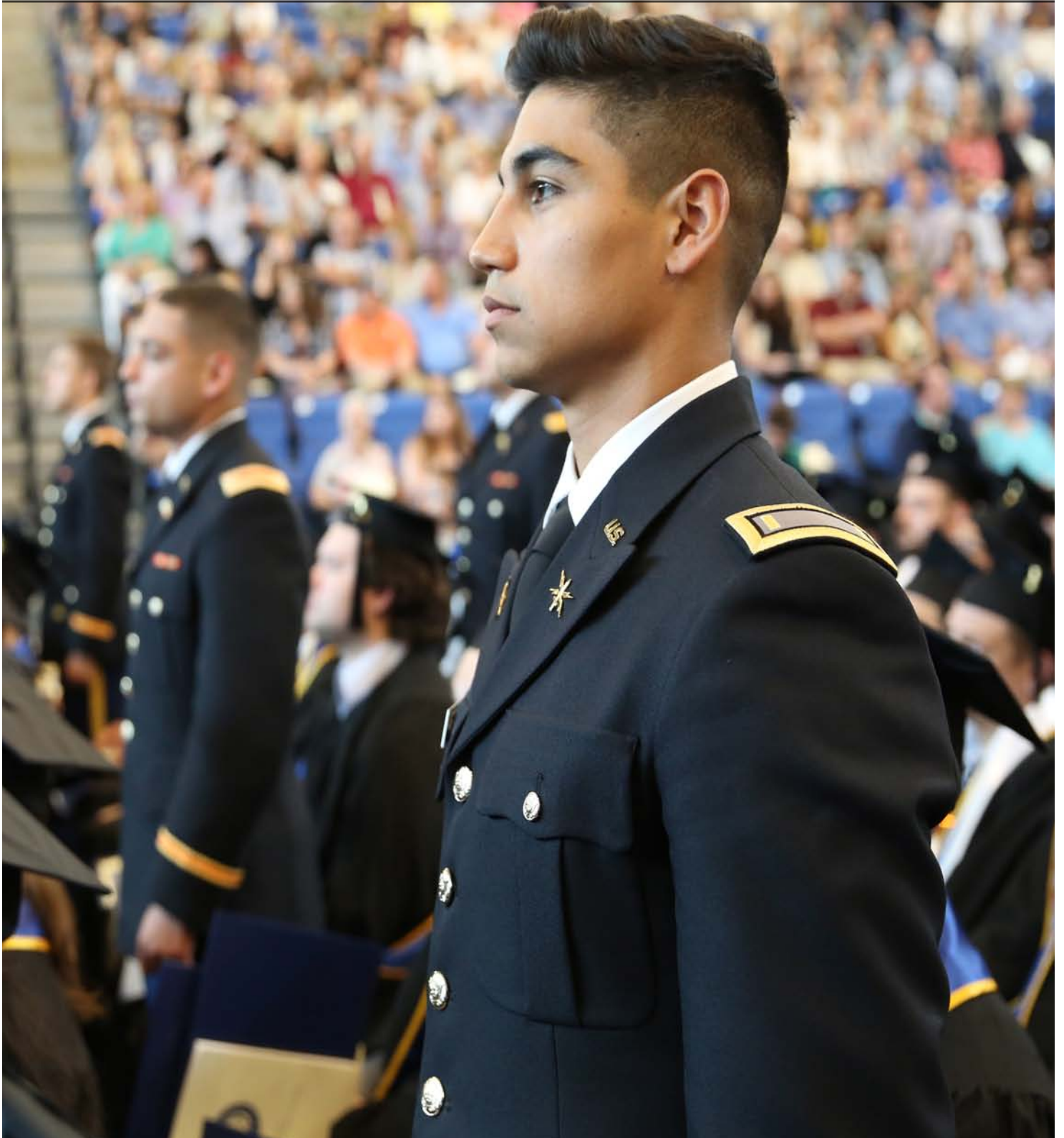
Combined component unit's bonds payable are comprised of the following amounts at June 30, 2018:

		Principal	Interest	Total
Year ending June 30:				
2019	1	\$ 92,182,022	\$ 139,464,046	\$ 231,646,068
2020	2	134,068,552	135,667,264	269,735,816
2021	3	110,563,881	130,269,915	240,833,796
2022	4	117,406,038	125,231,850	242,637,888
2023	5	150,381,052	119,032,393	269,413,445
2024 through 2028	6-10	694,414,828	498,373,923	1,192,788,751
2029 through 2033	11-15	773,431,156	327,415,745	1,100,846,901
2034 through 2038	16-20	673,425,000	164,244,944	837,669,944
2039 through 2043	21-25	319,860,000	41,801,730	361,661,730
2044 through 2048	26-30	48,990,000	7,257,338	56,247,338
2049 through 2053	31-35	3,930,000	413,450	4,343,450
		<u>3,118,652,529</u>	<u>1,689,172,598</u>	<u>4,807,825,127</u>
Bond Premium		181,524,849	—	181,524,849
Bond (Discount)/Cost of Issuance		(58,525,106)	—	(58,525,106)
Total		<u>\$ 3,241,652,272</u>	<u>\$ 1,689,172,598</u>	<u>\$ 4,930,824,870</u>



UNIVERSITY SYSTEM OF GEORGIA

*Required Supplementary
Information*





UNIVERSITY SYSTEM OF GEORGIA

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
FOR THE LAST TEN YEARS**

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Early Retirement Plan	6/30/2018	\$ 11,767,714	\$ 13,084,672	\$ (1,316,958)	N/A	N/A
	6/30/2017	\$ 12,107,903	\$ 13,084,672	\$ (976,769)	N/A	N/A
	6/30/2016	\$ 12,760,669	\$ 13,084,672	\$ (324,003)	N/A	N/A
	6/30/2015	\$ 12,996,582	\$ 13,084,672	\$ (88,090)	N/A	N/A
	6/30/2014	\$ 13,045,051	\$ 13,084,672	\$ (39,621)	N/A	N/A
	6/30/2013	\$ 13,055,907	\$ 13,225,850	\$ (169,943)	N/A	N/A
	6/30/2012	\$ 12,861,601	\$ 13,225,850	\$ (364,249)	N/A	N/A
	6/30/2011	\$ 12,973,559	\$ 13,225,850	\$ (252,291)	N/A	N/A
	6/30/2010	\$ 13,050,409	\$ 13,225,850	\$ (175,441)	N/A	N/A
	6/30/2009	\$ 13,225,850	\$ 13,225,850	\$ —	N/A	N/A
Employees' Retirement System	6/30/2018	\$ 3,201,803	\$ 3,201,803	\$ —	\$ 12,768,728	25.08%
	6/30/2017	\$ 2,963,115	\$ 2,963,115	\$ —	\$ 11,464,596	25.85%
	6/30/2016	\$ 2,674,110	\$ 2,674,110	\$ —	\$ 10,285,916	26.00%
	6/30/2015	\$ 2,094,605	\$ 2,094,605	\$ —	\$ 9,219,622	22.72%
	6/30/2014	\$ 1,631,633	\$ 1,631,633	\$ —	\$ 8,690,850	18.77%
	6/30/2013	\$ 1,238,577	\$ 1,238,577	\$ —	\$ 8,312,597	14.90%
	6/30/2012	\$ 896,604	\$ 896,604	\$ —	\$ 7,701,668	11.64%
	6/30/2011	\$ 709,947	\$ 709,947	\$ —	\$ 6,819,856	10.41%
	6/30/2010	\$ 665,448	\$ 665,448	\$ —	\$ 6,392,392	10.41%
	6/30/2009	\$ 687,652	\$ 687,652	\$ —	\$ 6,568,751	10.47%
Teachers Retirement System	6/30/2018	\$ 303,975,717	\$ 303,975,717	\$ —	\$ 1,806,029,773	16.83%
	6/30/2017	\$ 246,086,468	\$ 246,086,468	\$ —	\$ 1,724,389,667	14.27%
	6/30/2016	\$ 232,397,988	\$ 232,397,988	\$ —	\$ 1,626,552,148	14.29%
	6/30/2015	\$ 203,874,344	\$ 203,874,344	\$ —	\$ 1,542,770,677	13.21%
	6/30/2014	\$ 181,383,954	\$ 181,383,954	\$ —	\$ 1,477,068,029	12.28%
	6/30/2013	\$ 164,293,969	\$ 164,293,969	\$ —	\$ 1,439,912,086	11.41%
	6/30/2012	\$ 148,193,749	\$ 148,193,749	\$ —	\$ 1,441,573,434	10.28%
	6/30/2011	\$ 143,479,549	\$ 143,479,549	\$ —	\$ 1,395,715,457	10.28%
	6/30/2010	\$ 135,361,497	\$ 135,361,497	\$ —	\$ 1,389,748,429	9.74%
	6/30/2009	\$ 128,072,380	\$ 128,072,380	\$ —	\$ 1,380,090,302	9.28%

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST FOUR FISCAL YEARS***

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	6/30/2018	0.47%	\$ 18,912,176	\$ 11,464,596	164.96%	76.33%
	6/30/2017	0.44%	\$ 20,881,541	\$ 10,285,916	203.01%	72.34%
	6/30/2016	0.40%	\$ 16,237,112	\$ 9,219,622	176.11%	76.20%
	6/30/2015	0.39%	\$ 14,722,566	\$ 8,690,850	169.40%	77.99%
Teachers Retirement System	6/30/2018	15.05%	\$ 2,796,679,979	\$ 1,724,389,667	162.18%	79.33%
	6/30/2017	14.87%	\$ 3,067,576,327	\$ 1,626,552,148	188.59%	76.06%
	6/30/2016	14.74%	\$ 2,243,998,382	\$ 1,542,770,677	145.45%	81.44%
	6/30/2015	14.52%	\$ 1,835,025,616	\$ 1,477,068,029	124.23%	84.03%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' AND NONEMPLOYERS' NET PENSION LIABILITY
EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
FOR THE LAST FIVE FISCAL YEARS*
(Dollar amounts in millions)**

	2018	2017	2016	2015	2014
Total Pension Liability	\$ 148.9	\$ 149.2	\$ 151.8	\$ 143.8	\$ 145.4
Plan Fiduciary Net Position	99.0	90.4	80.3	79.1	76.2
Net Pension Liability	<u>\$ 49.9</u>	<u>\$ 58.8</u>	<u>\$ 71.5</u>	<u>\$ 64.7</u>	<u>\$ 69.2</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.5%	60.6%	52.9%	55.0%	52.4%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Employers' and Nonemployers' Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
FOR THE LAST FIVE FISCAL YEARS*
(Dollar amounts in millions)**

	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>					
Interest	\$ 10.7	\$ 10.9	\$ 10.3	\$ 10.4	\$ 10.6
Differences Between Expected and Actual Experience	0.6	0.1	1.3	1.3	(0.1)
Changes of Assumptions	2.2	—	9.9	—	—
Benefit Payments/Refunds	(13.8)	(13.6)	(13.5)	(13.3)	(13.1)
Net Change in Total Pension Liability	(0.3)	(2.6)	8	(1.6)	(2.6)
Total Pension Liability - Beginning	149.2	151.8	143.8	145.4	148
Total Pension Liability - Ending (a)	<u>\$ 148.9</u>	<u>\$ 149.2</u>	<u>\$ 151.8</u>	<u>\$ 143.8</u>	<u>\$ 145.4</u>
<u>Plan Fiduciary Net Position</u>					
Contributions - Employer	\$ 13.1	\$ 13.1	\$ 13.1	\$ 13.1	\$ 13.1
Net Investment Income	9.3	10.6	1.6	3.1	11.8
Benefit Payments/Refunds	(13.8)	(13.6)	(13.5)	(13.3)	(13.1)
Net Change in Plan Fiduciary Net Position	8.6	10.1	1.2	2.9	11.8
Plan Fiduciary Net Position - Beginning	90.4	80.3	79.1	76.2	64.4
Plan Fiduciary Net Position - Ending (b)	<u>\$ 99.0</u>	<u>\$ 90.4</u>	<u>\$ 80.3</u>	<u>\$ 79.1</u>	<u>\$ 76.2</u>
Net Pension Liability Ending (a - b)	<u>\$ 49.9</u>	<u>\$ 58.8</u>	<u>\$ 71.5</u>	<u>\$ 64.7</u>	<u>\$ 69.2</u>

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**UNIVERSITY SYSTEM OF GEORGIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 EARLY RETIREMENT PLAN - AUGUSTA UNIVERSITY
 SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
 FOR THE LAST FIVE FISCAL YEARS***

	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	10.42%	13.39%	2.02%	4.13%	18.35%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Changes of assumptions

Early Retirement Plan:

The expectation of retired life mortality was changed effective June 30, 2018 to the RP-2014 White Collar Mortality Table rather than the RP-2014 Mortality Table used previously. Mortality rates were adjusted to better recognize current and future mortality improvements.

Employees' Retirement System:

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

Teachers Retirement System:

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT OPEB PLANS
FOR THE LAST TEN YEARS*
(Dollars in thousands)**

Board of Regents Retiree Health Benefit Plan

Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
6/30/2018	\$ 467,338	\$ 158,420	\$ 308,918	\$ 3,218,771	\$ —
6/30/2017 **	\$ 349,859	\$ 99,584	\$ 250,275	\$ 3,122,694	\$ —
6/30/2016	\$ 295,192	\$ 111,814	\$ 183,378	\$ 3,087,013	\$ —
6/30/2015	\$ 442,359	\$ 129,823	\$ 312,536	\$ 2,608,757	\$ —
6/30/2014	\$ 403,314	\$ 120,926	\$ 282,388	\$ 2,594,800	\$ —
6/30/2013	\$ 362,426	\$ 83,414	\$ 279,012	\$ 2,466,314	\$ —
6/30/2012	\$ 345,298	\$ 88,836	\$ 256,462	\$ 2,526,212	\$ —
6/30/2011	\$ 411,516	\$ 80,262	\$ 331,254	\$ 2,432,367	\$ —
6/30/2010	\$ 381,700	\$ 69,900	\$ 311,800	\$ 2,399,532	\$ —
6/30/2009	\$ 349,500	\$ 68,100	\$ 281,400	\$ 2,372,385	\$ —

Notes to Schedule

Valuation Date	May 1, 2018. Update procedures were used to roll forward the total OPEB liability to June 30, 2018.
Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Investment Rate of Return	4.5%, net of OPEB plan investment expense, including inflation of 2.5%
Salary Increases	4.0%
Mortality Rates	Healthy: RP-2014 White Collar Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Healthcare Cost Trend	
Pre-Medicare Eligible	7.1%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5% reached 2030
Medicare Eligible	4.5% reached 2019
Experience Study	Based on the experience of the Teachers Retirement System of Georgia. The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience studies, which covered the five-year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation for the Plan were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.
Changes in Assumptions Since Prior Valuation:	
	Expected claims costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect the current Teachers Retirement System of Georgia.

State Employees' Assurance Department Retired and Vested Inactive Members Plan

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2018	\$ —	\$ —	\$ —	\$ 12,769	—%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** June 30, 2017 covered employee payroll for the Board of Regents Retiree Health Benefit Plan was restated.

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB ASSET
COST SHARING MULTIPLE EMPLOYER DEFINED BENEFIT OPEN PLAN
FOR FISCAL YEAR ENDED JUNE 30, 2018***

	Year Ended	Proportion of the Net OPEB Asset	Proportionate Share of the Net OPEB Asset	Covered Payroll	Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset
State Employees' Assurance Department Retired and Vested Inactive Members Plan	6/30/2018	0.79%	\$ 2,044,332	\$ 11,454,514	17.85%	130.17%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
SINGLE EMPLOYER DEFINED BENEFIT OPEB PLAN
FOR THE LAST TWO FISCAL YEARS***

	2018	2017
<u>Total OPEB Liability</u>		
Service Cost	\$ 236,916,639	\$ 211,512,614
Interest	158,222,522	124,612,066
Differences Between Expected and Actual Experience	264,729,331	123,090,290
Changes of Assumptions	(310,106,837)	(347,330,873)
Benefit Payments/Refunds	(90,548,660)	(89,653,306)
Net Change in Total OPEB Liability	259,212,995	22,230,791
Total OPEB Liability - Beginning	4,227,583,095	4,205,352,304
Total OPEB Liability - Ending (a)	<u>\$ 4,486,796,090</u>	<u>\$ 4,227,583,095</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$ 158,419,937	\$ 99,583,903
Net Investment Income	801,316	72,961
Administrative Expense	(484,825)	(5,044,837)
Benefit Payments/Refunds	(90,548,660)	(89,653,306)
Net Change in Plan Fiduciary Net Position	68,187,768	4,958,721
Plan Fiduciary Net Position - Beginning	7,857,223	2,898,502
Plan Fiduciary Net Position - Ending (b)	<u>\$ 76,044,991</u>	<u>\$ 7,857,223</u>
Net OPEB Liability Ending (a - b)	<u>\$ 4,410,751,099</u>	<u>\$ 4,219,725,872</u>

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
SINGLE EMPLOYER DEFINED BENEFIT OPEB PLAN
FOR THE LAST TWO FISCAL YEARS***

	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 4,486,796,090	\$ 4,227,583,095
Plan Fiduciary Net Position	<u>76,044,991</u>	<u>7,857,223</u>
Net OPEB Liability	<u>\$ 4,410,751,099</u>	<u>\$ 4,219,725,872</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.69%	0.19%
Covered Employee Payroll	\$ 3,218,771,744	\$ 3,122,694,102
Net OPEB Liability as a Percentage of Covered Employee Payroll	137.03%	135.13%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
SINGLE EMPLOYER DEFINED BENEFIT OPEB PLAN
FOR THE LAST TWO FISCAL YEARS***

	<u>2018</u>	<u>2017</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	2.85%	0.99%

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Board of Regents Retiree Health Benefit Plan

Changes in Assumptions Since Prior Valuation

Expected claim costs were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, termination, retirement, and disabled mortality tables were updated to reflect the current Teachers Retirement System of Georgia methodology. The discount rate was updated from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

State Employees' Assurance Department Retired and Vested Inactive Members Plan

Changes in Assumptions Since Prior Valuation

On December 17, 2015, the SEAD Board adopted recommended changes to the economic and demographic assumptions utilized by the SEAD-OPEB plan. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

*Supplementary
Information*



UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Abraham Baldwin Agricultural College	Albany State University	Atlanta Metropolitan State College	Augusta University
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 9,893,081	\$ 10,105,105	\$ 873,411	\$ 16,212,975
Cash and Cash Equivalents (Externally Restricted)	292,267	3,328,066	46,654	24,898,021
Short-term Investments	118,948	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—
Accounts Receivable, net				
Federal Financial Assistance	809,610	1,928,808	1,847,459	7,418,397
State General Appropriations	—	—	—	—
Margin Allocation Funds	—	—	—	—
Affiliated Organizations	568,305	—	—	679,661
Component Units	—	—	—	40,475,906
Primary Government	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	1,710,739	3,765,507	566,313	24,991,740
Notes Receivable, net	—	—	—	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Inventories	306,582	—	—	723,742
Prepaid Items	24,122	40,614	58,868	17,028,036
Other Assets	—	—	—	—
Total Current Assets	13,723,654	19,168,100	3,392,705	132,428,478
Non-Current Assets				
Accounts Receivable, net				
Affiliated Organizations	—	—	—	—
Component Units	—	—	—	—
Primary Government	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	801,382	69,628	197,730
Due From Institution - Capital Liability Reserve Fund	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	—	—	—	—
Investments	—	—	—	76,949,626
Notes Receivable, net	229,082	56,245	—	2,273,398
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Other Assets	—	—	—	—
Non-current Cash (Externally Restricted)	1,588	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—
Investments (Externally Restricted)	1,924,929	—	—	12,937,349
Capital Assets, net	105,388,239	218,967,160	42,848,997	537,217,308
Total Non-Current Assets	107,543,838	219,824,787	42,918,625	629,575,411
TOTAL ASSETS	121,267,492	238,992,887	46,311,330	762,003,889
DEFERRED OUTFLOWS OF RESOURCES	\$ 7,044,089	\$ 11,611,625	\$ 4,100,406	\$ 92,008,272

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Abraham Baldwin Agricultural College	Albany State University	Atlanta Metropolitan State College	Augusta University
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 952,025	\$ 1,268,362	\$ 1,445,196	\$ 11,398,329
Salaries Payable	347,451	365,541	120,749	3,137,247
Benefits Payable	109,632	134,269	42,714	6,681,522
Contracts Payable	—	30,582	—	1,122,718
Retainage Payable	—	51,400	—	379,363
Interest Payable (Added for SAO)	—	—	—	—
Due to Affiliated Organizations	—	—	—	1,620,181
Due to Component Units	—	—	—	4,628,432
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	1,048,697	4,718,434	676,651	45,287,085
Deposits	155,500	312,749	2,917	—
Deposits Held for Other Organizations	974,162	1,692,732	449,937	2,681,016
Other Liabilities	—	—	—	—
Notes and Loans Payable	—	—	—	—
Lease Purchase Obligations - External	379,733	2,614,850	196,268	1,471,790
Lease Purchase Obligations - Component Units	—	—	—	2,306,377
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	—	358,754	—
Compensated Absences	750,340	1,477,486	492,910	21,701,052
Total Current Liabilities	4,717,540	12,666,405	3,786,096	102,415,112
Non-Current Liabilities				
Due to Affiliated Organizations	—	—	—	—
Due to Component Units	—	—	—	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—
Other Liabilities	—	—	—	—
Notes and Loans Payable	—	—	—	—
Lease Purchase Obligations - External	17,458,716	101,227,181	9,476,242	1,947,885
Lease Purchase Obligations - Component Units	—	—	—	46,495,025
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	—	1,005,250	—
Compensated Absences	447,050	1,075,049	270,288	17,496,656
Net Other Post Employment Benefits Liability	42,402,042	67,230,614	17,354,129	500,127,185
Net Pension Liability	25,507,132	45,914,491	15,788,405	364,460,016
Total Non-Current Liabilities	85,814,940	215,447,335	43,894,314	930,526,767
TOTAL LIABILITIES	90,532,480	228,113,740	47,680,410	1,032,941,879
DEFERRED INFLOWS OF RESOURCES	\$ 6,645,834	\$ 19,128,900	\$ 1,507,792	\$ 54,136,573

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Abraham Baldwin Agricultural College	Albany State University	Atlanta Metropolitan State College	Augusta University
NET POSITION				
Net Investment in Capital Assets	\$ 87,549,790	\$ 114,020,393	\$ 33,176,487	\$ 485,453,028
Restricted for:				
Nonexpendable	1,851,787	—	—	2,558,310
Expendable	862,837	208,527	46,654	33,662,268
Capital Projects	—	—	—	—
Higher Education	—	—	—	—
Endowment	—	—	—	—
Unrestricted (Deficit)	(59,131,147)	(110,867,048)	(31,999,607)	(754,739,897)
TOTAL NET POSITION	<u>\$ 31,133,267</u>	<u>\$ 3,361,872</u>	<u>\$ 1,223,534</u>	<u>\$ (233,066,291)</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Clayton State University	College of Coastal Georgia	Columbus State University	Dalton State College
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 6,339,439	\$ 4,609,032	\$ 19,295,085	\$ 9,544,104
Cash and Cash Equivalents (Externally Restricted)	1,753,281	12,701	1,338,149	126,951
Short-term Investments	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—
Accounts Receivable, net				
Federal Financial Assistance	2,907,533	230,072	2,073,596	917,716
State General Appropriations	—	—	—	—
Margin Allocation Funds	—	—	—	—
Affiliated Organizations	320,643	352,096	355,752	71,861
Component Units	—	—	—	—
Primary Government	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	3,052,450	1,011,240	8,878,995	1,192,332
Notes Receivable, net	—	—	—	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Inventories	1,171,102	29,737	—	13,151
Prepaid Items	127,626	99,049	511,537	111,700
Other Assets	—	—	—	—
Total Current Assets	15,672,074	6,343,927	32,453,114	11,977,815
Non-Current Assets				
Accounts Receivable, net				
Affiliated Organizations	1,757,840	—	—	—
Component Units	—	—	—	—
Primary Government	—	—	—	—
Due From USO - Capital Liability Reserve Fund	578,205	77,550	259,144	46,314
Due From Institution - Capital Liability Reserve Fund	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	—	—	—	—
Investments	—	—	2,184,189	—
Notes Receivable, net	6,188	—	714,181	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Other Assets	—	—	—	—
Non-current Cash (Externally Restricted)	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—
Investments (Externally Restricted)	—	162,429	3,046,817	—
Capital Assets, net	126,937,785	65,988,107	107,581,927	47,779,597
Total Non-Current Assets	129,280,018	66,228,086	113,786,258	47,825,911
TOTAL ASSETS	144,952,092	72,572,013	146,239,372	59,803,726
DEFERRED OUTFLOWS OF RESOURCES	\$ 8,447,953	\$ 3,533,730	\$ 12,756,283	\$ 5,167,394

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Clayton State University	College of Coastal Georgia	Columbus State University	Dalton State College
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 1,907,528	\$ 956,890	\$ 2,704,764	\$ 1,063,932
Salaries Payable	284,048	221,085	437,508	152,051
Benefits Payable	84,805	61,541	185,106	279,910
Contracts Payable	—	—	—	—
Retainage Payable	145,870	—	18,125	39,235
Interest Payable (Added for SAO)	—	—	—	—
Due to Affiliated Organizations	—	291	—	—
Due to Component Units	—	—	—	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	2,261,944	848,340	7,115,259	939,061
Deposits	59,104	15,995	200	19,075
Deposits Held for Other Organizations	540,181	265,919	5,354,267	375,255
Other Liabilities	22,920	—	—	—
Notes and Loans Payable	—	—	—	—
Lease Purchase Obligations - External	—	273,155	192,303	—
Lease Purchase Obligations - Component Units	1,662,253	—	1,417,892	132,385
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	—	—	—
Compensated Absences	1,533,709	446,449	1,783,017	522,367
Total Current Liabilities	8,502,362	3,089,665	19,208,441	3,523,271
Non-Current Liabilities				
Due to Affiliated Organizations	—	—	—	—
Due to Component Units	—	—	—	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—
Other Liabilities	—	—	—	—
Notes and Loans Payable	—	—	—	—
Lease Purchase Obligations - External	—	11,028,493	402,833	—
Lease Purchase Obligations - Component Units	65,776,816	—	40,487,830	5,836,432
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	—	—	—
Compensated Absences	592,625	222,409	1,197,497	200,683
Net Other Post Employment Benefits Liability	53,045,161	21,070,357	71,374,427	32,086,331
Net Pension Liability	30,853,488	11,148,212	43,439,869	17,054,622
Total Non-Current Liabilities	150,268,090	43,469,471	156,902,456	55,178,068
TOTAL LIABILITIES	158,770,452	46,559,136	176,110,897	58,701,339
DEFERRED INFLOWS OF RESOURCES	\$ 15,573,111	\$ 1,823,669	\$ 6,475,407	\$ 3,994,930

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018**

	Clayton State University	College of Coastal Georgia	Columbus State University	Dalton State College
NET POSITION				
Net Investment in Capital Assets	\$ 49,610,011	\$ 54,686,459	\$ 65,062,944	\$ 41,239,007
Restricted for:				
Nonexpendable	1,750,693	68,879	2,057,501	—
Expendable	8,776	106,251	2,253,693	1,961
Capital Projects	—	—	—	—
Higher Education	—	—	—	—
Endowment	—	—	—	—
Unrestricted (Deficit)	(72,312,998)	(27,138,651)	(92,964,787)	(38,966,117)
TOTAL NET POSITION	<u>\$ (20,943,518)</u>	<u>\$ 27,722,938</u>	<u>\$ (23,590,649)</u>	<u>\$ 2,274,851</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	East Georgia State College	Fort Valley State University	Georgia College & State University	Georgia Gwinnett College
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 2,852,859	\$ 6,295,826	\$ 23,311,418	\$ 37,237,072
Cash and Cash Equivalents (Externally Restricted)	77,464	2,122,283	880,554	518,191
Short-term Investments	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—
Accounts Receivable, net				
Federal Financial Assistance	1,289,821	3,272,657	303,609	104,150
State General Appropriations	—	—	—	—
Margin Allocation Funds	—	—	—	—
Affiliated Organizations	5,597	760,860	167,989	—
Component Units	—	—	34,041	52,624
Primary Government	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	763,493	1,915,911	3,570,146	1,001,483
Notes Receivable, net	—	—	—	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Inventories	12,460	—	292,019	—
Prepaid Items	662	126,939	1,340,309	752,033
Other Assets	—	—	—	—
Total Current Assets	5,002,356	14,494,476	29,900,085	39,665,553
Non-Current Assets				
Accounts Receivable, net				
Affiliated Organizations	—	—	1,803,415	—
Component Units	—	—	—	—
Primary Government	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	650,273	1,081,968	1,507,117
Due From Institution - Capital Liability Reserve Fund	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	—	—	—	—
Investments	4,800	73,886	3,200,363	—
Notes Receivable, net	—	992,405	106,890	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Other Assets	—	—	—	—
Non-current Cash (Externally Restricted)	—	—	118,051	—
Short-term Investments (Externally Restricted)	—	—	—	—
Investments (Externally Restricted)	44,424	—	4,983,305	—
Capital Assets, net	26,105,766	142,171,873	181,994,686	232,851,234
Total Non-Current Assets	26,154,990	143,888,437	193,288,678	234,358,351
TOTAL ASSETS	31,157,346	158,382,913	223,188,763	274,023,904
DEFERRED OUTFLOWS OF RESOURCES	\$ 3,875,710	\$ 8,071,027	\$ 17,703,204	\$ 41,815,769

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	East Georgia State College	Fort Valley State University	Georgia College & State University	Georgia Gwinnett College
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 456,198	\$ 2,717,740	\$ 3,527,527	\$ 2,208,943
Salaries Payable	128,588	181,111	433,227	526,421
Benefits Payable	51,872	67,091	197,088	635,247
Contracts Payable	—	45,080	1,898,383	—
Retainage Payable	11,370	147,899	328,196	—
Interest Payable (Added for SAO)	—	—	—	—
Due to Affiliated Organizations	—	—	—	—
Due to Component Units	—	—	—	4,548
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	321,895	—	—
Advances (Including Tuition and Fees)	444,884	1,603,821	1,941,653	2,519,849
Deposits	1,895	—	345,975	844,249
Deposits Held for Other Organizations	67,423	361,622	923,618	255,539
Other Liabilities	474	—	807,492	178,909
Notes and Loans Payable	—	—	—	—
Lease Purchase Obligations - External	1,655	1,485,920	751,173	1,149,162
Lease Purchase Obligations - Component Units	—	—	2,449,186	4,484,066
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	251,527	—	—
Compensated Absences	361,101	1,414,915	2,478,011	1,395,014
Total Current Liabilities	1,525,460	8,598,621	16,081,529	14,201,947
Non-Current Liabilities				
Due to Affiliated Organizations	—	—	—	—
Due to Component Units	—	—	—	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—
Other Liabilities	—	—	—	—
Notes and Loans Payable	—	—	—	—
Lease Purchase Obligations - External	1,173	—	33,479,849	4,530,668
Lease Purchase Obligations - Component Units	—	74,794,485	82,330,653	161,177,249
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	—	—	—
Compensated Absences	239,276	701,968	756,936	660,719
Net Other Post Employment Benefits Liability	17,993,671	41,795,878	82,897,148	61,932,874
Net Pension Liability	10,956,411	29,171,314	53,932,163	43,719,375
Total Non-Current Liabilities	29,190,531	146,463,645	253,396,749	272,020,885
TOTAL LIABILITIES	30,715,991	155,062,266	269,478,278	286,222,832
DEFERRED INFLOWS OF RESOURCES	\$ 1,523,348	\$ 11,188,860	\$ 10,571,081	\$ 6,897,966

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	East Georgia State College	Fort Valley State University	Georgia College & State University	Georgia Gwinnett College
NET POSITION				
Net Investment in Capital Assets	\$ 26,102,938	\$ 62,458,039	\$ 63,216,913	\$ 81,350,698
Restricted for:				
Nonexpendable	37,100	—	4,200,208	—
Expendable	168,882	2,911,384	2,048,983	518,191
Capital Projects	—	—	—	—
Higher Education	—	—	—	—
Endowment	—	—	—	—
Unrestricted (Deficit)	(23,515,203)	(65,166,609)	(108,623,496)	(59,150,014)
TOTAL NET POSITION	<u>\$ 2,793,717</u>	<u>\$ 202,814</u>	<u>\$ (39,157,392)</u>	<u>\$ 22,718,875</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Georgia Highlands College	Georgia Institute of Technology	Georgia Southern University	Georgia Southwestern University
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 5,268,479	\$ 205,580,549	\$ 64,648,055	\$ 5,926,465
Cash and Cash Equivalents (Externally Restricted)	—	91,624,306	938,014	3,060,116
Short-term Investments	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	486,617
Accounts Receivable, net				
Federal Financial Assistance	2,148,092	12,032,839	6,743,863	10,650
State General Appropriations	—	—	—	—
Margin Allocation Funds	—	—	—	—
Affiliated Organizations	1,956	—	2,531,387	35,219
Component Units	—	106,175,231	—	—
Primary Government	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	6,915,789	23,263,434	11,738,397	1,150,055
Notes Receivable, net	—	—	—	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Inventories	—	1,006,490	4,452,338	647,295
Prepaid Items	53,891	25,194,259	2,800,395	285,319
Other Assets	—	—	—	—
Total Current Assets	14,388,207	464,877,108	93,852,449	11,601,736
Non-Current Assets				
Accounts Receivable, net				
Affiliated Organizations	—	—	—	—
Component Units	—	—	2,596,400	—
Primary Government	—	—	—	—
Due From USO - Capital Liability Reserve Fund	115,505	2,275,907	1,999,583	267,598
Due From Institution - Capital Liability Reserve Fund	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	—	—	—	—
Investments	—	—	4,176,858	335,628
Notes Receivable, net	—	12,727,073	1,956,907	118,999
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Other Assets	—	—	—	—
Non-current Cash (Externally Restricted)	—	42,150	—	—
Short-term Investments (Externally Restricted)	—	—	—	—
Investments (Externally Restricted)	40,226	83,394,723	5,830,035	—
Capital Assets, net	49,172,382	1,917,030,340	637,755,112	81,471,833
Total Non-Current Assets	49,328,113	2,015,470,193	654,314,895	82,194,058
TOTAL ASSETS	63,716,320	2,480,347,301	748,167,344	93,795,794
DEFERRED OUTFLOWS OF RESOURCES	\$ 4,979,273	\$ 140,174,893	\$ 45,610,618	\$ 4,632,840

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018**

	Georgia Highlands College	Georgia Institute of Technology	Georgia Southern University	Georgia Southwestern University
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 797,572	\$ 79,422,180	\$ 6,846,803	\$ 915,145
Salaries Payable	137,470	2,563,071	2,176,346	322,641
Benefits Payable	80,312	640,267	724,968	73,270
Contracts Payable	—	9,976,327	2,007,432	—
Retainage Payable	—	3,319,158	526,564	—
Interest Payable (Added for SAO)	—	—	—	—
Due to Affiliated Organizations	—	232,776	288,774	—
Due to Component Units	—	—	—	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	7,369,708	22,435,153	9,169,939	3,777,596
Deposits	2,637	9,042,094	327,050	22,415
Deposits Held for Other Organizations	436,532	15,127,326	2,040,372	89,134
Other Liabilities	52,172	229,262	118,075	—
Notes and Loans Payable	—	1,099,763	146,285	—
Lease Purchase Obligations - External	—	4,357,656	792,294	1,262,933
Lease Purchase Obligations - Component Units	—	16,485,968	8,847,509	—
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	263,040	—	—
Claims and Judgments	—	—	—	—
Compensated Absences	728,676	38,386,669	6,869,574	591,564
Total Current Liabilities	9,605,079	203,580,710	40,881,985	7,054,698
Non-Current Liabilities				
Due to Affiliated Organizations	—	—	—	—
Due to Component Units	—	—	—	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—
Other Liabilities	—	—	—	—
Notes and Loans Payable	—	5,235,273	963,164	—
Lease Purchase Obligations - External	15,733,671	78,794,002	20,333,595	33,524,503
Lease Purchase Obligations - Component Units	—	326,202,403	213,117,609	—
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	—	—	—
Compensated Absences	235,610	14,668,361	2,478,178	341,544
Net Other Post Employment Benefits Liability	28,172,493	627,617,932	272,905,117	29,610,660
Net Pension Liability	18,770,638	439,151,881	146,782,411	13,125,110
Total Non-Current Liabilities	62,912,412	1,491,669,852	656,580,074	76,601,817
TOTAL LIABILITIES	72,517,491	1,695,250,562	697,462,059	83,656,515
DEFERRED INFLOWS OF RESOURCES	\$ 4,403,777	\$ 59,496,438	\$ 30,490,378	\$ 4,171,145

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018**

	Georgia Highlands College	Georgia Institute of Technology	Georgia Southern University	Georgia Southwestern University
NET POSITION				
Net Investment in Capital Assets	\$ 33,438,711	\$ 1,466,887,074	\$ 383,654,850	\$ 45,489,593
Restricted for:				
Nonexpendable	40,227	69,971,535	6,222,432	486,617
Expendable	38,879	29,848,244	4,449,727	504,216
Capital Projects	—	—	—	—
Higher Education	—	—	—	—
Endowment	—	—	—	—
Unrestricted (Deficit)	(41,743,492)	(700,931,659)	(328,501,484)	(35,879,452)
TOTAL NET POSITION	<u>\$ (8,225,675)</u>	<u>\$ 865,775,194</u>	<u>\$ 65,825,525</u>	<u>\$ 10,600,974</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Georgia State University	Gordon State College	Kennesaw State University	Middle Georgia State University
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 189,291,914	\$ 10,855,016	\$ 109,183,734	\$ 8,722,683
Cash and Cash Equivalents (Externally Restricted)	5,987,433	149,953	173,008	—
Short-term Investments	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—
Accounts Receivable, net				
Federal Financial Assistance	289,096	540,771	4,194,303	38,186
State General Appropriations	—	—	—	—
Margin Allocation Funds	—	—	—	—
Affiliated Organizations	84,121	—	5,219,697	159,557
Component Units	22,633,382	—	1,599,219	—
Primary Government	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	35,108,884	728,827	11,562,554	3,031,889
Notes Receivable, net	—	—	—	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Inventories	207,389	516,400	3,622,861	975,207
Prepaid Items	5,687,658	182,220	5,870,678	110,083
Other Assets	—	—	—	—
Total Current Assets	259,289,877	12,973,187	141,426,054	13,037,605
Non-Current Assets				
Accounts Receivable, net				
Affiliated Organizations	—	—	—	—
Component Units	—	—	—	—
Primary Government	—	—	—	—
Due From USO - Capital Liability Reserve Fund	1,414,211	355,150	2,098,531	715,528
Due From Institution - Capital Liability Reserve Fund	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	—	—	—	—
Investments	—	—	204,358	1,911,022
Notes Receivable, net	4,392,487	—	561,540	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Other Assets	—	—	—	—
Non-current Cash (Externally Restricted)	515,788	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—
Investments (Externally Restricted)	124,502	—	4,707,634	72,628
Capital Assets, net	982,230,035	80,618,889	639,647,001	216,056,826
Total Non-Current Assets	988,677,023	80,974,039	647,219,064	218,756,004
TOTAL ASSETS	1,247,966,900	93,947,226	788,645,118	231,793,609
DEFERRED OUTFLOWS OF RESOURCES	\$ 81,221,944	\$ 4,193,837	\$ 59,268,214	\$ 10,670,240

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Georgia State University	Gordon State College	Kennesaw State University	Middle Georgia State University
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 23,243,376	\$ 525,832	\$ 11,670,658	\$ 350,549
Salaries Payable	3,548,887	168,104	2,135,664	383,021
Benefits Payable	6,911,798	75,409	671,312	109,222
Contracts Payable	—	—	99,181	34,206
Retainage Payable	3,262,911	—	440,221	—
Interest Payable (Added for SAO)	—	—	—	—
Due to Affiliated Organizations	—	—	211,095	—
Due to Component Units	2,546,660	—	346,542	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	28,780,646	674,621	19,504,017	2,613,639
Deposits	33,335	95,375	1,061,228	1,398,768
Deposits Held for Other Organizations	2,582,248	228,564	1,892,273	825,010
Other Liabilities	296,741	—	282,807	—
Notes and Loans Payable	—	—	—	—
Lease Purchase Obligations - External	1,936,730	—	1,218,216	—
Lease Purchase Obligations - Component Units	7,127,637	1,440,693	9,234,713	2,458,677
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	—	—	—
Compensated Absences	12,544,604	588,104	8,736,251	1,514,903
Total Current Liabilities	92,815,573	3,796,702	57,504,178	9,687,995
Non-Current Liabilities				
Due to Affiliated Organizations	—	—	—	—
Due to Component Units	—	—	—	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—
Other Liabilities	—	—	—	—
Notes and Loans Payable	—	—	—	—
Lease Purchase Obligations - External	32,082,827	—	52,813,244	—
Lease Purchase Obligations - Component Units	187,102,773	37,379,413	219,778,178	84,181,447
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	—	—
Claims and Judgments	—	—	—	—
Compensated Absences	8,319,032	186,537	2,822,257	759,169
Net Other Post Employment Benefits Liability	432,921,805	21,644,451	246,184,631	59,915,466
Net Pension Liability	305,027,775	17,062,758	167,382,940	39,942,663
Total Non-Current Liabilities	965,454,212	76,273,159	688,981,250	184,798,745
TOTAL LIABILITIES	1,058,269,785	80,069,861	746,485,428	194,486,740
DEFERRED INFLOWS OF RESOURCES	\$ 72,367,249	\$ 4,977,385	\$ 79,518,373	\$ 12,675,722

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Georgia State University	Gordon State College	Kennesaw State University	Middle Georgia State University
NET POSITION				
Net Investment in Capital Assets	\$ 735,167,675	\$ 39,915,697	\$ 296,117,362	\$ 123,740,995
Restricted for:				
Nonexpendable	112,042	—	4,627,307	25,489
Expendable	22,642,917	7,349	1,497,759	43,198
Capital Projects	—	—	—	—
Higher Education	—	—	—	—
Endowment	—	—	—	—
Unrestricted (Deficit)	(559,370,824)	(26,829,229)	(280,332,897)	(88,508,295)
TOTAL NET POSITION	<u>\$ 198,551,810</u>	<u>\$ 13,093,817</u>	<u>\$ 21,909,531</u>	<u>\$ 35,301,387</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Savannah State University	South Georgia State College	University of Georgia	University of North Georgia
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,666,314	\$ 4,325,485	\$ 235,230,548	\$ 33,358,763
Cash and Cash Equivalents (Externally Restricted)	1,140,885	24,429	67,426,251	994,220
Short-term Investments	408,276	—	11,801,107	1,971,785
Short-term Investments (Externally Restricted)	—	—	51,148	—
Accounts Receivable, net				
Federal Financial Assistance	2,555,237	901,437	4,743,123	3,374,109
State General Appropriations	—	—	—	—
Margin Allocation Funds	—	—	—	—
Affiliated Organizations	681,264	191,404	—	111,826
Component Units	—	—	45,940,821	—
Primary Government	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	2,622,973	787,283	35,964,311	3,723,679
Notes Receivable, net	—	—	—	—
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Inventories	66,572	257,709	5,532,395	1,403,721
Prepaid Items	89,109	520,040	5,024,625	123,001
Other Assets	—	—	—	—
Total Current Assets	9,230,630	7,007,787	411,714,329	45,061,104
Non-Current Assets				
Accounts Receivable, net				
Affiliated Organizations	—	—	—	—
Component Units	—	—	—	—
Primary Government	—	—	—	—
Due From USO - Capital Liability Reserve Fund	844,039	266,644	1,552,532	983,809
Due From Institution - Capital Liability Reserve Fund	—	—	—	—
Pledges and Contributions	—	—	—	—
Other	—	—	—	—
Investments	—	78,563	103,732,158	5,053,807
Notes Receivable, net	732,966	49,272	8,834,072	1,205,707
Due From Other Funds	—	—	—	—
Investment in Capital Leases - Primary Government	—	—	—	—
Investment in Capital Leases - Other	—	—	—	—
Other Assets	—	468,544	—	—
Non-current Cash (Externally Restricted)	127,395	—	9,184,107	1,070,892
Short-term Investments (Externally Restricted)	38,726	—	—	—
Investments (Externally Restricted)	7,872,002	431,446	97,685,316	1,465,472
Capital Assets, net	153,620,222	48,759,364	1,864,340,933	286,116,745
Total Non-Current Assets	163,235,350	50,053,833	2,085,329,118	295,896,432
TOTAL ASSETS	172,465,980	57,061,620	2,497,043,447	340,957,536
DEFERRED OUTFLOWS OF RESOURCES	\$ 10,276,091	\$ 4,041,305	\$ 197,297,459	\$ 46,072,421

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Savannah State University	South Georgia State College	University of Georgia	University of North Georgia
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 1,425,266	\$ 198,924	\$ 25,718,346	\$ 1,849,190
Salaries Payable	318,087	115,679	13,705,101	704,210
Benefits Payable	85,386	28,472	—	429,274
Contracts Payable	—	—	7,273,478	140,636
Retainage Payable	—	—	2,763,866	57,887
Interest Payable (Added for SAO)	—	—	—	—
Due to Affiliated Organizations	—	—	—	304
Due to Component Units	—	—	692,665	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	3,402,933	543,018	52,035,063	6,915,703
Deposits	—	17,730	1,317,165	995,566
Deposits Held for Other Organizations	2,806,892	284,793	3,903,943	1,140,789
Other Liabilities	2,066	328,735	799,601	36,737
Notes and Loans Payable	—	—	338,098	—
Lease Purchase Obligations - External	—	—	54,708	—
Lease Purchase Obligations - Component Units	2,562,402	—	8,121,305	4,021,729
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	178,500	—
Claims and Judgments	190,381	—	—	—
Compensated Absences	954,816	440,679	32,549,037	2,973,928
Total Current Liabilities	11,748,229	1,958,030	149,450,876	19,265,953
Non-Current Liabilities				
Due to Affiliated Organizations	—	—	—	—
Due to Component Units	—	—	—	—
Due to Primary Government	—	—	—	—
Due to Other Funds	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—
Other Liabilities	—	—	—	—
Notes and Loans Payable	—	—	1,422,134	—
Lease Purchase Obligations - External	—	34,291,483	26,334	—
Lease Purchase Obligations - Component Units	92,563,057	—	231,616,246	132,093,853
Revenue Bonds and Notes Payable	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—
Interest Rate Swap	—	—	—	—
Pollution Remediation	—	—	644,300	—
Claims and Judgments	—	—	—	—
Compensated Absences	1,094,592	127,150	16,979,735	2,339,906
Net Other Post Employment Benefits Liability	48,901,517	18,246,179	1,016,303,379	130,614,399
Net Pension Liability	34,967,142	10,169,344	699,803,870	92,422,208
Total Non-Current Liabilities	177,526,308	62,834,156	1,966,795,998	357,470,366
TOTAL LIABILITIES	189,274,537	64,792,186	2,116,246,874	376,736,319
DEFERRED INFLOWS OF RESOURCES	\$ 8,154,098	\$ 2,768,707	\$ 78,649,841	\$ 12,204,517

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Savannah State University	South Georgia State College	University of Georgia	University of North Georgia
NET POSITION				
Net Investment in Capital Assets	\$ 54,563,192	\$ 15,698,147	\$ 1,614,484,996	\$ 154,308,600
Restricted for:				
Nonexpendable	7,832,124	311,490	91,810,334	2,669,514
Expendable	1,075,503	193,657	91,368,953	2,409,431
Capital Projects	—	—	—	—
Higher Education	—	—	—	—
Endowment	—	—	—	—
Unrestricted (Deficit)	(78,157,383)	(22,661,262)	(1,298,220,092)	(161,298,424)
TOTAL NET POSITION	<u>\$ (14,686,564)</u>	<u>\$ (6,457,968)</u>	<u>\$ 499,444,191</u>	<u>\$ (1,910,879)</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	University of West Georgia	Valdosta State University	University System Office
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 52,821,835	\$ 35,088,948	\$ 713,226,001
Cash and Cash Equivalents (Externally Restricted)	1,875,294	295,101	3,983,913
Short-term Investments	—	—	298,838,266
Short-term Investments (Externally Restricted)	—	—	—
Accounts Receivable, net			
Federal Financial Assistance	952,614	7,935,388	910,591
State General Appropriations	—	—	—
Margin Allocation Funds	—	—	—
Affiliated Organizations	87,620	262,757	32,022
Component Units	—	—	—
Primary Government	—	—	—
Pledges and Contributions	—	—	—
Other	4,826,229	1,830,867	121,133,455
Notes Receivable, net	—	—	146,285
Due From Other Funds	—	—	—
Investment in Capital Leases - Primary Government	—	—	—
Investment in Capital Leases - Other	—	—	—
Inventories	1,219,632	15,995	518,308
Prepaid Items	1,889,354	141,312	572,823
Other Assets	—	—	2,389,105
Total Current Assets	63,672,578	45,570,368	1,141,750,769
Non-Current Assets			
Accounts Receivable, net			
Affiliated Organizations	—	—	—
Component Units	—	—	—
Primary Government	—	—	—
Due From USO - Capital Liability Reserve Fund	1,357,248	1,252,123	—
Due From Institution - Capital Liability Reserve Fund	—	—	—
Pledges and Contributions	—	—	—
Other	—	—	—
Investments	—	—	—
Notes Receivable, net	3,013,926	36,959	963,164
Due From Other Funds	—	—	—
Investment in Capital Leases - Primary Government	—	—	—
Investment in Capital Leases - Other	—	—	—
Other Assets	—	—	—
Non-current Cash (Externally Restricted)	877,965	32,789	—
Short-term Investments (Externally Restricted)	—	—	—
Investments (Externally Restricted)	—	8,750,674	10,507,122
Capital Assets, net	289,700,566	298,941,789	497,109,190
Total Non-Current Assets	294,949,705	309,014,334	508,579,476
TOTAL ASSETS	358,622,283	354,584,702	1,650,330,245
DEFERRED OUTFLOWS OF RESOURCES	\$ 39,030,585	\$ 19,380,986	\$ 17,433,101

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	University of West Georgia	Valdosta State University	University System Office
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 5,996,302	\$ 2,877,465	\$ 14,280,247
Salaries Payable	803,058	611,549	207,009
Benefits Payable	1,252,429	906,850	33,467,179
Contracts Payable	500,407	—	—
Retainage Payable	143,261	104,498	35,973
Interest Payable (Added for SAO)	—	—	—
Due to Affiliated Organizations	—	—	—
Due to Component Units	—	—	—
Due to Primary Government	—	—	—
Due to Other Funds	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—
Advances (Including Tuition and Fees)	5,524,645	4,885,344	1,323,056
Deposits	—	579,784	—
Deposits Held for Other Organizations	648,257	1,919,602	802,026,583
Other Liabilities	62,672	877	—
Notes and Loans Payable	—	—	—
Lease Purchase Obligations - External	1,417,033	503,095	2,452,526
Lease Purchase Obligations - Component Units	2,778,376	4,968,838	—
Revenue Bonds and Notes Payable	—	—	—
Liabilities Under Split Interest Agreements	—	—	—
Interest Rate Swap	—	—	—
Pollution Remediation	—	—	—
Claims and Judgments	—	—	—
Compensated Absences	3,106,287	2,351,482	3,030,993
Total Current Liabilities	22,232,727	19,709,384	856,823,566
Non-Current Liabilities			
Due to Affiliated Organizations	—	—	—
Due to Component Units	—	—	—
Due to Primary Government	—	—	—
Due to Other Funds	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—
Advances (Including Tuition and Fees)	—	—	—
Other Liabilities	—	—	—
Notes and Loans Payable	—	—	—
Lease Purchase Obligations - External	40,357,005	4,021,750	36,949,378
Lease Purchase Obligations - Component Units	119,217,342	161,987,845	—
Revenue Bonds and Notes Payable	—	—	—
Liabilities Under Split Interest Agreements	—	—	—
Interest Rate Swap	—	—	—
Pollution Remediation	—	—	—
Claims and Judgments	—	—	—
Compensated Absences	1,721,638	1,503,332	1,858,334
Net Other Post Employment Benefits Liability	127,192,454	105,742,575	44,442,997
Net Pension Liability	79,587,691	56,823,427	52,468,368
Total Non-Current Liabilities	368,076,130	330,078,929	135,719,077
TOTAL LIABILITIES	390,308,857	349,788,313	992,542,643
DEFERRED INFLOWS OF RESOURCES	\$ 9,554,982	\$ 23,056,037	\$ 523,111,051

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018**

	University of West Georgia	Valdosta State University	University System Office
NET POSITION			
Net Investment in Capital Assets	\$ 127,097,271	\$ 126,202,268	\$ 286,158,972
Restricted for:			
Nonexpendable	—	4,535,787	3,612,043
Expendable	5,026,493	4,558,323	11,732,523
Capital Projects	—	—	—
Higher Education	—	—	—
Endowment	—	—	—
Unrestricted (Deficit)	(134,334,735)	(134,175,040)	(149,393,886)
TOTAL NET POSITION	<u>\$ (2,210,971)</u>	<u>\$ 1,121,338</u>	<u>\$ 152,109,652</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Preliminary Total	Elimination/ Consolidation Entries	Consolidated Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,821,764,196	\$ (476,640,987)	\$ 1,345,123,209
Cash and Cash Equivalents (Externally Restricted)	213,067,505	—	213,067,505
Short-term Investments	313,138,382	(246,681,026)	66,457,356
Short-term Investments (Externally Restricted)	537,765	—	537,765
Accounts Receivable, net			
Federal Financial Assistance	70,473,727	—	70,473,727
State General Appropriations	—	—	—
Margin Allocation Funds	—	—	—
Affiliated Organizations	12,681,594	—	12,681,594
Component Units	216,911,224	—	216,911,224
Primary Government	—	—	—
Pledges and Contributions	—	—	—
Other	316,808,975	(45,414,679)	271,394,296
Notes Receivable, net	146,285	(146,285)	—
Due From Other Funds	—	—	—
Investment in Capital Leases - Primary Government	—	—	—
Investment in Capital Leases - Other	—	—	—
Inventories	22,991,105	—	22,991,105
Prepaid Items	68,766,262	—	68,766,262
Other Assets	2,389,105	2,044,332	4,433,437
Total Current Assets	3,059,676,125	(766,838,645)	2,292,837,480
Non-Current Assets			
Accounts Receivable, net			
Affiliated Organizations	3,561,255	—	3,561,255
Component Units	2,596,400	—	2,596,400
Primary Government	—	—	—
Due From USO - Capital Liability Reserve Fund	20,767,719	(20,767,719)	—
Due From Institution - Capital Liability Reserve Fund	—	—	—
Pledges and Contributions	—	—	—
Other	—	—	—
Investments	197,905,258	—	197,905,258
Notes Receivable, net	38,971,461	(963,164)	38,008,297
Due From Other Funds	—	—	—
Investment in Capital Leases - Primary Government	—	—	—
Investment in Capital Leases - Other	—	—	—
Other Assets	468,544	(3)	468,541
Non-current Cash (Externally Restricted)	11,970,725	—	11,970,725
Short-term Investments (Externally Restricted)	38,726	—	38,726
Investments (Externally Restricted)	243,981,033	—	243,981,033
Capital Assets, net	9,878,403,906	—	9,878,403,906
Total Non-Current Assets	10,398,665,027	(21,730,886)	10,376,934,141
TOTAL ASSETS	13,458,341,152	(788,569,531)	12,669,771,621
DEFERRED OUTFLOWS OF RESOURCES	\$ 900,419,269	\$ (26,564,289)	\$ 873,854,980

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018

	Preliminary Total	Elimination/ Consolidation Entries	Consolidated Total
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 206,725,289	\$ (45,578,682)	\$ 161,146,607
Salaries Payable	34,234,924	—	34,234,924
Benefits Payable	53,986,945	—	53,986,945
Contracts Payable	23,128,430	—	23,128,430
Retainage Payable	11,775,797	—	11,775,797
Interest Payable (Added for SAO)	—	656,599	656,599
Due to Affiliated Organizations	2,353,421	—	2,353,421
Due to Component Units	8,218,847	—	8,218,847
Due to Primary Government	—	—	—
Due to Other Funds	—	—	—
Due to USO - Capital Liability Reserve Fund	321,895	(321,895)	—
Advances (Including Tuition and Fees)	238,360,759	—	238,360,759
Deposits	16,650,806	—	16,650,806
Deposits Held for Other Organizations	849,893,989	(744,060,451)	105,833,538
Other Liabilities	3,219,540	(199,982)	3,019,558
Notes and Loans Payable	1,584,146	(146,285)	1,437,861
Lease Purchase Obligations - External	22,511,200	2,196,126	24,707,326
Lease Purchase Obligations - Component Units	80,500,006	(2,196,126)	78,303,880
Revenue Bonds and Notes Payable	—	—	—
Liabilities Under Split Interest Agreements	—	—	—
Interest Rate Swap	—	—	—
Pollution Remediation	441,540	—	441,540
Claims and Judgments	800,662	—	800,662
Compensated Absences	149,723,938	—	149,723,938
Total Current Liabilities	1,704,432,134	(789,650,696)	914,781,438
Non-Current Liabilities			
Due to Affiliated Organizations	—	—	—
Due to Component Units	—	—	—
Due to Primary Government	—	—	—
Due to Other Funds	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—
Advances (Including Tuition and Fees)	—	—	—
Other Liabilities	—	—	—
Notes and Loans Payable	7,620,571	(963,164)	6,657,407
Lease Purchase Obligations - External	528,480,832	(19,442,850)	509,037,982
Lease Purchase Obligations - Component Units	2,282,138,656	19,442,850	2,301,581,506
Revenue Bonds and Notes Payable	—	—	—
Liabilities Under Split Interest Agreements	—	—	—
Interest Rate Swap	—	—	—
Pollution Remediation	644,300	—	644,300
Claims and Judgments	1,005,250	—	1,005,250
Compensated Absences	79,296,531	—	79,296,531
Net Other Post Employment Benefits Liability	4,219,725,872	—	4,219,725,872
Net Pension Liability	2,865,433,724	—	2,865,433,724
Total Non-Current Liabilities	9,984,345,736	(963,164)	9,983,382,572
TOTAL LIABILITIES	11,688,777,870	(790,613,860)	10,898,164,010
DEFERRED INFLOWS OF RESOURCES	\$ 1,065,067,171	\$ (26,118,039)	\$ 1,038,949,132

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY INSTITUTION (Unaudited)
JUNE 30, 2018**

	Preliminary Total	Elimination/ Consolidation Entries	Consolidated Total
NET POSITION			
Net Investment in Capital Assets	\$ 6,666,852,110	\$ —	\$ 6,666,852,110
Restricted for:			
Nonexpendable	204,781,419	—	204,781,419
Expendable	218,195,579	(218,195,579)	—
Capital Projects	—	11,658,263	11,658,263
Higher Education	—	186,070,195	186,070,195
Endowment	—	20,467,121	20,467,121
Unrestricted (Deficit)	(5,484,913,728)	1,598,079	(5,483,315,649)
TOTAL NET POSITION	<u>\$ 1,604,915,380</u>	<u>\$ 1,598,079</u>	<u>\$ 1,606,513,459</u>

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Abraham Baldwin Agricultural College	Albany State University	Atlanta Metropolitan State College	Augusta University
OPERATING REVENUES				
Student Tuition and Fees (net)	\$ 12,856,650	\$ 18,500,136	\$ 5,036,451	\$ 93,857,633
Federal Appropriations	—	—	—	—
Grants and Contracts				
Federal	286,078	8,727,846	2,470,715	56,886,393
State	1,231,481	1,174,740	97,899	249,251,459
Other	70,469	1,912,960	37,823	194,971,205
Sales and Services	154,021	265,660	6,552	9,949,193
Rents and Royalties	135,694	7,768	148,756	351,580
Auxiliary Enterprises				
Residence Halls	2,229,539	11,927,280	—	3,885,170
Bookstore	2,476,983	240,597	68,831	1,571,511
Food Services	2,955,698	6,177,962	42,314	1,747,076
Parking/Transportation	259,647	347,387	—	3,224,433
Health Services	425,159	348,538	—	2,624,941
Intercollegiate Athletics	550,257	1,790,468	301,135	3,152,835
Other Organizations	332,192	570,118	11,261	4,321,021
Gifts and Contributions	—	—	—	—
Endowment Income	—	—	—	—
Other Operating Revenues	1,029,675	509,580	276,436	255,719
Total Operating Revenues	24,993,543	52,501,040	8,498,173	626,050,169
OPERATING EXPENSES				
Faculty Salaries	10,899,773	17,815,097	4,118,378	185,168,284
Staff Salaries	12,998,086	25,447,447	8,806,730	259,122,629
Employee Benefits	10,187,148	16,154,344	4,907,060	159,263,285
Other Personal Services	261,874	515,114	126,794	529,034
Travel	485,341	589,977	114,694	4,289,898
Scholarships and Fellowships	7,696,465	8,626,863	3,003,377	9,498,208
Utilities	1,638,881	4,020,162	938,653	11,999,032
Supplies and Other Services	15,133,271	24,333,115	3,291,597	227,836,534
Depreciation	4,710,143	9,851,395	1,029,845	28,110,779
Total Operating Expenses	64,010,982	107,353,514	26,337,128	885,817,683
Operating Income (Loss)	\$ (39,017,439)	\$ (54,852,474)	\$ (17,838,955)	\$ (259,767,514)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Abraham Baldwin Agricultural College	Albany State University	Atlanta Metropolitan State College	Augusta University
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	\$ 24,770,790	\$ 35,730,522	\$ 10,649,511	\$ 225,140,575
Grants and Contracts				
Federal	12,868,081	18,752,235	5,163,679	10,160,620
State	45,623	—	—	—
Other	581,040	2,586	—	10,138,215
Gifts	665,093	2,134,666	860,148	14,605,305
Investment Income	97,284	79,986	—	1,973,790
Interest Expense	(1,125,978)	(6,099,497)	(524,287)	(2,015,506)
Other Nonoperating Revenues (Expenses)	(390,770)	(121,776)	(52,566)	(3,049,805)
Net Nonoperating Revenues	37,511,163	50,478,722	16,096,485	256,953,194
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,506,276)	(4,373,752)	(1,742,470)	(2,814,320)
Capital Grants and Gifts				
Federal	—	—	—	—
State	1,120,732	25,080,847	8,040,995	31,495,205
Other	—	100,000	—	20,000
Additions to Permanent and Term Endowments	—	—	—	—
Special Item	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	1,120,732	25,180,847	8,040,995	31,515,205
Change in Net Position	(385,544)	20,807,095	6,298,525	28,700,885
Net Position, Beginning of Year, Restated	31,518,811	(17,445,223)	(5,074,991)	(261,767,176)
Net Position, End of Year	\$ 31,133,267	\$ 3,361,872	\$ 1,223,534	\$ (233,066,291)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Clayton State University	College of Coastal Georgia	Columbus State University	Dalton State College
OPERATING REVENUES				
Student Tuition and Fees (net)	\$ 26,147,493	\$ 7,452,994	\$ 45,974,126	\$ 9,812,800
Federal Appropriations	—	—	—	—
Grants and Contracts				
Federal	1,497,242	20,002	1,897,036	—
State	30,584	—	56,147	121,908
Other	239,267	—	224,006	1,330,633
Sales and Services	1,732,926	27,247	3,775,475	18,525
Rents and Royalties	25,591	3,032	42,637	—
Auxiliary Enterprises				
Residence Halls	7,322,511	963,272	4,082,306	420,932
Bookstore	2,766,162	310,618	440,101	304,416
Food Services	398,368	1,992,701	504,408	736,994
Parking/Transportation	509,018	—	1,474,066	619,371
Health Services	680,227	—	672,674	287,447
Intercollegiate Athletics	2,332,636	1,172,482	2,732,421	997,369
Other Organizations	376,513	1,028,517	329,370	475,389
Gifts and Contributions	—	—	—	—
Endowment Income	—	—	—	—
Other Operating Revenues	597,344	185,471	691,398	315,498
Total Operating Revenues	44,655,882	13,156,336	62,896,171	15,441,282
OPERATING EXPENSES				
Faculty Salaries	20,215,035	8,831,185	26,740,885	11,323,810
Staff Salaries	21,569,019	9,209,651	30,975,041	8,759,856
Employee Benefits	15,177,078	6,291,418	21,695,991	8,568,247
Other Personal Services	238,087	73,533	359,647	157,673
Travel	398,652	267,470	797,813	281,360
Scholarships and Fellowships	9,127,747	3,134,357	11,211,320	5,622,650
Utilities	2,711,990	910,831	3,910,658	840,446
Supplies and Other Services	14,440,662	7,279,633	23,525,912	6,923,871
Depreciation	6,095,009	2,982,013	5,325,860	2,004,163
Total Operating Expenses	89,973,279	38,980,091	124,543,127	44,482,076
Operating Income (Loss)	\$ (45,317,397)	\$ (25,823,755)	\$ (61,646,956)	\$ (29,040,794)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Clayton State University	College of Coastal Georgia	Columbus State University	Dalton State College
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	\$ 25,534,925	\$ 15,280,604	\$ 41,002,242	\$ 16,867,093
Grants and Contracts				
Federal	18,345,513	7,093,774	15,508,384	11,543,786
State	—	54,594	—	—
Other	511,042	1,095,722	3,645,095	—
Gifts	786,881	352,593	137,138	1,064,216
Investment Income	111,433	22,123	379,790	6,767
Interest Expense	(2,948,408)	(601,289)	(2,375,307)	(315,780)
Other Nonoperating Revenues (Expenses)	124,246	18,968	(11,164)	(33,266)
Net Nonoperating Revenues	42,465,632	23,317,089	58,286,178	29,132,816
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,851,765)	(2,506,666)	(3,360,778)	92,022
Capital Grants and Gifts				
Federal	—	—	—	—
State	1,613,973	103,909	1,121,279	19,801
Other	—	—	28,500	509,042
Additions to Permanent and Term Endowments	—	—	—	—
Special Item	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	1,613,973	103,909	1,149,779	528,843
Change in Net Position	(1,237,792)	(2,402,757)	(2,210,999)	620,865
Net Position, Beginning of Year, Restated	(19,705,726)	30,125,695	(21,379,650)	1,653,986
Net Position, End of Year	\$ (20,943,518)	\$ 27,722,938	\$ (23,590,649)	\$ 2,274,851

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	East Georgia State College	Fort Valley State University	Georgia College & State University	Georgia Gwinnett College
OPERATING REVENUES				
Student Tuition and Fees (net)	\$ 4,096,626	\$ 8,058,541	\$ 58,669,401	\$ 34,913,213
Federal Appropriations	—	5,624,558	—	—
Grants and Contracts				
Federal	90,755	550,360	436,349	355,489
State	221,735	50,049	60,317	212,384
Other	5,250	33,043	51,745	550,042
Sales and Services	1,470	309,919	2,665,498	198,920
Rents and Royalties	1,489	270,271	85,012	20,483
Auxiliary Enterprises				
Residence Halls	557,094	7,524,903	14,575,794	7,820,239
Bookstore	99,378	43,999	1,179,702	771,778
Food Services	1,163,029	4,594,507	7,617,953	841,177
Parking/Transportation	215,090	202,218	1,613,729	2,579,790
Health Services	66,548	377,842	—	666,644
Intercollegiate Athletics	609,480	1,542,870	2,418,077	4,060,136
Other Organizations	4,166	1,073,645	324,100	229,622
Gifts and Contributions	—	—	—	—
Endowment Income	—	—	—	—
Other Operating Revenues	94,132	562,435	405,788	323,790
Total Operating Revenues	7,226,242	30,819,160	90,103,465	53,543,707
OPERATING EXPENSES				
Faculty Salaries	5,156,419	9,286,875	29,450,286	39,689,450
Staff Salaries	5,854,580	20,228,591	34,192,834	25,678,286
Employee Benefits	5,056,032	10,934,740	26,434,560	23,877,426
Other Personal Services	83,103	595,598	312,520	400,211
Travel	132,915	973,805	1,341,618	689,376
Scholarships and Fellowships	4,472,211	4,891,264	3,058,703	12,136,878
Utilities	576,869	4,338,801	3,383,616	2,594,106
Supplies and Other Services	3,941,171	20,940,389	36,378,887	19,344,514
Depreciation	856,496	6,357,597	9,258,870	8,637,290
Total Operating Expenses	26,129,796	78,547,660	143,811,894	133,047,537
Operating Income (Loss)	\$ (18,903,554)	\$ (47,728,500)	\$ (53,708,429)	\$ (79,503,830)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	East Georgia State College	Fort Valley State University	Georgia College & State University	Georgia Gwinnett College
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	\$ 9,237,733	\$ 23,075,207	\$ 40,028,859	\$ 56,374,528
Grants and Contracts				
Federal	8,323,618	24,893,326	7,126,821	32,794,988
State	53,017	550	202,047	—
Other	321,871	821,515	1,750,141	—
Gifts	555,246	551,929	820,408	160,541
Investment Income	11,972	6,442	806,881	154,063
Interest Expense	(146)	(2,976,721)	(6,142,237)	(8,159,184)
Other Nonoperating Revenues (Expenses)	(4,774)	184,020	(36,727)	28,764
Net Nonoperating Revenues	18,498,537	46,556,268	44,556,193	81,353,700
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(405,017)	(1,172,232)	(9,152,236)	1,849,870
Capital Grants and Gifts				
Federal	—	155,488	—	—
State	808,696	3,011,134	10,670,162	251,701
Other	—	—	959,013	697,702
Additions to Permanent and Term Endowments	—	—	6,395	—
Special Item	—	—	—	116,656
Total Other Revenues, Expenses, Gains or Losses	808,696	3,166,622	11,635,570	1,066,059
Change in Net Position	403,679	1,994,390	2,483,334	2,915,929
Net Position, Beginning of Year, Restated	2,390,038	(1,791,576)	(41,640,726)	19,802,946
Net Position, End of Year	\$ 2,793,717	\$ 202,814	\$ (39,157,392)	\$ 22,718,875

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Georgia Highlands College	Georgia Institute of Technology	Georgia Southern University	Georgia Southwestern University
OPERATING REVENUES				
Student Tuition and Fees (net)	\$ 12,721,877	\$ 369,856,163	\$ 150,017,841	\$ 12,923,287
Federal Appropriations	—	—	—	—
Grants and Contracts				
Federal	403,276	613,088,605	6,833,485	347,481
State	313,013	8,128,923	483,077	215,144
Other	382,790	247,095,986	12,053,469	2,096,830
Sales and Services	330,089	41,222,226	3,951,309	59,067
Rents and Royalties	127,133	320,481	249,830	27,644
Auxiliary Enterprises				
Residence Halls	—	78,416,871	34,402,927	4,366,509
Bookstore	208,597	2,123,508	9,984,063	1,087,405
Food Services	350	3,691,759	24,329,302	2,795,753
Parking/Transportation	121,034	19,481,289	4,448,758	72,276
Health Services	—	11,377,704	4,547,552	348,650
Intercollegiate Athletics	1,205,387	—	19,715,292	1,002,281
Other Organizations	247,609	1,998,981	2,603,889	375,632
Gifts and Contributions	—	—	—	—
Endowment Income	—	—	—	—
Other Operating Revenues	299,426	9,727,043	3,611,792	225,521
Total Operating Revenues	16,360,581	1,406,529,539	277,232,586	25,943,480
OPERATING EXPENSES				
Faculty Salaries	9,750,784	443,337,865	90,881,499	9,790,494
Staff Salaries	10,001,083	382,938,825	116,691,529	9,348,400
Employee Benefits	7,080,906	240,952,557	80,749,051	8,001,535
Other Personal Services	128,219	677,900	1,176,413	183,750
Travel	292,319	28,814,018	4,115,812	318,914
Scholarships and Fellowships	6,745,109	17,994,648	27,502,162	2,890,535
Utilities	1,415,827	31,242,530	14,394,136	1,870,706
Supplies and Other Services	8,759,108	415,752,971	107,249,462	11,179,567
Depreciation	1,848,449	99,006,038	34,279,322	3,484,246
Total Operating Expenses	46,021,804	1,660,717,352	477,039,386	47,068,147
Operating Income (Loss)	\$ (29,661,223)	\$ (254,187,813)	\$ (199,806,800)	\$ (21,124,667)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Georgia Highlands College	Georgia Institute of Technology	Georgia Southern University	Georgia Southwestern University
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	\$ 17,528,243	\$ 291,283,120	\$ 133,567,038	\$ 12,879,048
Grants and Contracts				
Federal	11,867,161	12,545,724	45,445,425	5,244,613
State	—	—	—	—
Other	—	—	—	—
Gifts	270,068	1,498,581	7,282,379	1,088,612
Investment Income	2,551	20,468,916	1,008,057	114,998
Interest Expense	(898,615)	(24,133,749)	(10,783,644)	(1,667,764)
Other Nonoperating Revenues (Expenses)	—	6,900,438	(406,583)	—
Net Nonoperating Revenues	28,769,408	308,563,030	176,112,672	17,659,507
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(891,815)	54,375,217	(23,694,128)	(3,465,160)
Capital Grants and Gifts				
Federal	—	—	—	—
State	412,621	8,360,630	8,790,657	236,190
Other	—	140,907	268,768	—
Additions to Permanent and Term Endowments	—	322,447	—	—
Special Item	—	(21,437,060)	1,425,076	—
Total Other Revenues, Expenses, Gains or Losses	412,621	(12,613,076)	10,484,501	236,190
Change in Net Position	(479,194)	41,762,141	(13,209,627)	(3,228,970)
Net Position, Beginning of Year, Restated	(7,746,481)	824,013,053	79,035,152	13,829,944
Net Position, End of Year	\$ (8,225,675)	\$ 865,775,194	\$ 65,825,525	\$ 10,600,974

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Georgia State University	Gordon State College	Kennesaw State University	Middle Georgia State University
OPERATING REVENUES				
Student Tuition and Fees (net)	\$ 296,775,566	\$ 6,233,502	\$ 199,435,290	\$ 22,728,077
Federal Appropriations	—	—	—	—
Grants and Contracts				
Federal	82,873,514	107,906	1,740,727	12,678
State	10,882,423	136,766	564,928	11,575
Other	55,971,389	4,291	374,293	281
Sales and Services	24,016,699	118,415	14,560,244	982,238
Rents and Royalties	177,701	111,735	1,543,310	193,777
Auxiliary Enterprises				
Residence Halls	18,081,307	5,308,136	16,623,733	7,595,067
Bookstore	1,684,311	2,105,028	13,110,592	2,880,292
Food Services	17,455,763	2,609,748	23,163,050	3,241,867
Parking/Transportation	8,786,936	91,287	10,782,630	196,262
Health Services	3,525,000	115,924	3,505,173	251,694
Intercollegiate Athletics	19,338,612	673,223	15,522,822	1,622,836
Other Organizations	6,928,142	67,971	6,327,609	557,078
Gifts and Contributions	—	—	—	—
Endowment Income	—	—	—	—
Other Operating Revenues	1,757,986	140,643	431,777	888,410
Total Operating Revenues	548,255,349	17,824,575	307,686,178	41,162,132
OPERATING EXPENSES				
Faculty Salaries	203,276,295	9,108,403	115,043,096	22,724,560
Staff Salaries	249,038,686	7,459,458	127,159,301	19,532,955
Employee Benefits	144,876,807	6,283,205	84,830,407	16,547,812
Other Personal Services	2,259,937	79,196	1,840,126	227,350
Travel	7,016,091	267,914	3,814,479	615,716
Scholarships and Fellowships	60,154,443	3,217,195	30,119,620	8,057,478
Utilities	20,863,659	1,622,696	10,250,657	3,180,913
Supplies and Other Services	189,638,364	9,726,747	99,626,043	22,664,518
Depreciation	54,179,977	3,208,039	32,138,956	7,692,671
Total Operating Expenses	931,304,259	40,972,853	504,822,685	101,243,973
Operating Income (Loss)	\$ (383,048,910)	\$ (23,148,278)	\$ (197,136,507)	\$ (60,081,841)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Georgia State University	Gordon State College	Kennesaw State University	Middle Georgia State University
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	\$ 267,904,773	\$ 13,278,209	\$ 138,475,446	\$ 33,362,424
Grants and Contracts				
Federal	104,969,524	9,645,054	63,675,135	15,945,154
State	—	—	400,139	1,067,371
Other	4,441,703	—	3,804,348	558,722
Gifts	1,449,864	332,541	4,456,119	4,581,278
Investment Income	2,669,139	104,324	915,610	185,320
Interest Expense	(12,107,964)	(1,970,035)	(15,222,081)	(4,619,236)
Other Nonoperating Revenues (Expenses)	291,197	(23)	(25,044)	276,137
Net Nonoperating Revenues	369,618,236	21,390,070	196,479,672	51,357,170
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(13,430,674)	(1,758,208)	(656,835)	(8,724,671)
Capital Grants and Gifts				
Federal	—	—	—	—
State	15,915,107	130,282	22,073,032	4,551,792
Other	7,383,324	150,000	4,701,096	12,650
Additions to Permanent and Term Endowments	—	—	—	—
Special Item	2,143,660	—	—	(12,533,158)
Total Other Revenues, Expenses, Gains or Losses	25,442,091	280,282	26,774,128	(7,968,716)
Change in Net Position	12,011,417	(1,477,926)	26,117,293	(16,693,387)
Net Position, Beginning of Year, Restated	186,540,393	14,571,743	(4,207,762)	51,994,774
Net Position, End of Year	\$ 198,551,810	\$ 13,093,817	\$ 21,909,531	\$ 35,301,387

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Savannah State University	South Georgia State College	University of Georgia	University of North Georgia
OPERATING REVENUES				
Student Tuition and Fees (net)	\$ 11,973,674	\$ 3,399,790	\$ 464,530,471	\$ 75,232,843
Federal Appropriations	—	—	14,921,506	—
Grants and Contracts				
Federal	9,469,336	15,319	125,577,562	—
State	104,591	5,400	29,171,147	—
Other	516,288	—	77,970,277	—
Sales and Services	841,524	20,721	85,654,546	2,810,244
Rents and Royalties	48,320	8,632	526,836	141,632
Auxiliary Enterprises				
Residence Halls	15,207,654	1,141,084	56,341,916	9,831,394
Bookstore	205,605	1,075,680	5,612,221	6,033,060
Food Services	8,847,869	769,170	52,926,223	9,033,440
Parking/Transportation	1,140,336	6,538	23,328,666	5,320,481
Health Services	578,304	—	23,639,184	949,755
Intercollegiate Athletics	4,095,075	450,799	35,470,488	3,307,966
Other Organizations	97,627	79,109	677,008	60,278
Gifts and Contributions	—	—	—	—
Endowment Income	—	—	—	—
Other Operating Revenues	536,350	147,788	1,519,009	1,464,360
Total Operating Revenues	53,662,553	7,120,030	997,867,060	114,185,453
OPERATING EXPENSES				
Faculty Salaries	15,672,083	4,744,566	246,654,366	50,627,097
Staff Salaries	20,767,559	5,093,269	544,052,732	52,580,763
Employee Benefits	15,113,201	3,586,005	302,667,640	44,326,589
Other Personal Services	478,017	335,774	764,045	597,916
Travel	909,428	282,857	20,393,325	2,069,795
Scholarships and Fellowships	6,941,560	3,300,558	39,584,193	14,462,449
Utilities	3,922,108	1,331,381	36,183,284	4,801,397
Supplies and Other Services	26,839,954	5,625,497	281,319,752	42,354,114
Depreciation	7,495,697	2,351,605	91,090,428	15,461,539
Total Operating Expenses	98,139,607	26,651,512	1,562,709,765	227,281,659
Operating Income (Loss)	\$ (44,477,054)	\$ (19,531,482)	\$ (564,842,705)	\$ (113,096,206)

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Savannah State University	South Georgia State College	University of Georgia	University of North Georgia
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	\$ 24,139,345	\$ 11,706,494	\$ 479,489,175	\$ 71,657,564
Grants and Contracts				
Federal	17,429,633	6,945,512	32,373,460	29,976,705
State	—	—	11,460,394	266,947
Other	—	77,612	44,517,904	3,341,633
Gifts	2,201,771	562,824	33,007,317	1,811,373
Investment Income	473,395	25,845	9,850,979	158,661
Interest Expense	(4,778,323)	(1,359,356)	(13,213,724)	(5,817,117)
Other Nonoperating Revenues (Expenses)	(426,697)	258	12,792,764	(66,080)
Net Nonoperating Revenues	39,039,124	17,959,189	610,278,269	101,329,686
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5,437,930)	(1,572,293)	45,435,564	(11,766,520)
Capital Grants and Gifts				
Federal	—	—	—	—
State	17,727,632	461,873	63,762,860	34,414,075
Other	138,973	54,900	2,461,303	—
Additions to Permanent and Term Endowments	—	10,000	—	—
Special Item	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	17,866,605	526,773	66,224,163	34,414,075
Change in Net Position	12,428,675	(1,045,520)	111,659,727	22,647,555
Net Position, Beginning of Year, Restated	(27,115,239)	(5,412,448)	387,784,464	(24,558,434)
Net Position, End of Year	\$ (14,686,564)	\$ (6,457,968)	\$ 499,444,191	\$ (1,910,879)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	University of West Georgia	Valdosta State University	University System Office
OPERATING REVENUES			
Student Tuition and Fees (net)	\$ 78,473,230	\$ 60,277,840	\$ 137,100
Federal Appropriations	—	—	—
Grants and Contracts			
Federal	1,378,916	1,718,227	187,231
State	500,619	42,985	—
Other	1,508,630	1,342,273	103,045
Sales and Services	610,857	901,723	53,524,244
Rents and Royalties	122,218	934,656	86,899
Auxiliary Enterprises			
Residence Halls	19,135,160	13,177,060	9,983,778
Bookstore	2,689,974	1,131,572	—
Food Services	11,747,964	9,668,150	—
Parking/Transportation	1,813,189	4,062,798	—
Health Services	2,194,379	2,885,888	—
Intercollegiate Athletics	6,920,703	3,105,816	—
Other Organizations	540,493	462,459	—
Gifts and Contributions	—	—	—
Endowment Income	—	—	—
Other Operating Revenues	2,929,548	496,574	460,357,457
Total Operating Revenues	130,565,880	100,208,021	524,379,754
OPERATING EXPENSES			
Faculty Salaries	45,868,115	37,115,392	—
Staff Salaries	55,652,471	35,402,207	43,336,978
Employee Benefits	43,577,350	27,254,293	17,811,690
Other Personal Services	670,641	2,094,196	612
Travel	1,716,666	1,313,642	1,310,995
Scholarships and Fellowships	10,752,246	15,069,692	320,378
Utilities	4,083,500	6,059,710	6,411,646
Supplies and Other Services	47,013,498	33,692,458	648,340,911
Depreciation	14,690,562	17,034,365	23,036,371
Total Operating Expenses	224,025,049	175,035,955	740,569,581
Operating Income (Loss)	\$ (93,459,169)	\$ (74,827,934)	\$ (216,189,827)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	University of West Georgia	Valdosta State University	University System Office
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	\$ 59,326,040	\$ 49,104,734	\$ 187,097,423
Grants and Contracts			
Federal	26,200,897	22,931,388	7,384,395
State	—	177,778	44,629
Other	—	135,063	15,867,159
Gifts	2,027,218	1,026,448	1,694,749
Investment Income	860,050	939,128	3,757,285
Interest Expense	(8,862,188)	(4,400,624)	(1,643,684)
Other Nonoperating Revenues (Expenses)	(165,289)	(33,043)	(15,199,554)
Net Nonoperating Revenues	79,386,728	69,880,872	199,002,402
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(14,072,441)	(4,947,062)	(17,187,425)
Capital Grants and Gifts			
Federal	—	—	—
State	482,912	3,850,565	1,303,183
Other	194,566	126,009	3,398,953
Additions to Permanent and Term Endowments	—	4,773	—
Special Item	—	—	—
Total Other Revenues, Expenses, Gains or Losses	677,478	3,981,347	4,702,136
Change in Net Position	(13,394,963)	(965,715)	(12,485,289)
Net Position, Beginning of Year, Restated	11,183,992	2,087,053	164,594,941
Net Position, End of Year	\$ (2,210,971)	\$ 1,121,338	\$ 152,109,652

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Preliminary Total	Elimination/ Consolidation Entries	Consolidated Total
OPERATING REVENUES			
Student Tuition and Fees (net)	\$ 2,090,092,615	\$ 636,171,446	\$ 2,726,264,061
Scholarship Allowance	—	(636,171,446)	(636,171,446)
Federal Appropriations	20,546,064	—	20,546,064
Grants and Contracts			
Federal	916,972,528	(7,193,187)	909,779,341
State	303,069,294	(2,094,097)	300,975,197
Other	598,846,285	(416,879)	598,429,406
Sales and Services	248,709,552	(41,976,388)	206,733,164
Rents and Royalties	5,713,117	—	5,713,117
Auxiliary Enterprises			
Residence Halls	350,921,636	(15,745,680)	335,175,956
Bookstore	60,205,984	—	60,205,984
Food Services	199,052,595	—	199,052,595
Parking/Transportation	90,697,229	—	90,697,229
Health Services	60,069,227	—	60,069,227
Intercollegiate Athletics	134,091,466	—	134,091,466
Other Organizations	30,099,799	—	30,099,799
Gifts and Contributions	—	—	—
Endowment Income	—	—	—
Other Operating Revenues	489,780,950	(321,032,216)	168,748,734
Total Operating Revenues	5,598,868,341	(388,458,447)	5,210,409,894
OPERATING EXPENSES			
Faculty Salaries	1,673,290,092	—	1,673,290,092
Staff Salaries	2,141,898,966	—	2,141,898,966
Employee Benefits	1,352,206,377	(312,097,230)	1,040,109,147
Other Personal Services	15,167,280	—	15,167,280
Travel	83,614,890	—	83,614,890
Scholarships and Fellowships	329,592,309	—	329,592,309
Utilities	185,498,195	—	185,498,195
Supplies and Other Services	2,353,152,520	(76,617,090)	2,276,535,430
Depreciation	492,217,725	—	492,217,725
Total Operating Expenses	8,626,638,354	(388,714,320)	8,237,924,034
Operating Income (Loss)	\$ (3,027,770,013)	\$ 255,873	\$ (3,027,514,140)

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION
FOR FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

	Preliminary Total	Elimination/ Consolidation Entries	Consolidated Total
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	\$ 2,314,491,665	\$ 2	\$ 2,314,491,667
Grants and Contracts			
Federal	585,154,605	—	585,154,605
State	13,773,089	—	13,773,089
Other	91,611,371	—	91,611,371
Gifts	85,985,306	—	85,985,306
Investment Income	45,184,789	(66,761)	45,118,028
Interest Expense	(144,762,444)	66,761	(144,695,683)
Other Nonoperating Revenues (Expenses)	593,631	(2)	593,629
Net Nonoperating Revenues	2,992,032,012	—	2,992,032,012
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(35,738,001)	255,873	(35,482,128)
Capital Grants and Gifts			
Federal	155,488	—	155,488
State	265,811,845	—	265,811,845
Other	21,345,706	—	21,345,706
Additions to Permanent and Term Endowments	343,615	—	343,615
Special Item	(30,284,826)	—	(30,284,826)
Total Other Revenues, Expenses, Gains or Losses	257,371,828	—	257,371,828
Change in Net Position	221,633,827	255,873	221,889,700
Net Position, Beginning of Year, Restated	1,383,281,553	1,342,206	1,384,623,759
Net Position, End of Year	\$ 1,604,915,380	\$ 1,598,079	\$ 1,606,513,459

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018

	Abraham Baldwin Agricultural College Foundation, Inc. & Subsidiaries	Albany State University Foundation, Inc.	Armstrong State University Educational Properties Foundation, Inc. & Subsidiaries	Armstrong State University Foundation, Inc.	Atlanta Metropolitan State College Projects Foundation, Inc.	Atlanta Metropolitan State College Foundation, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 3,123,832	\$ 1,726,150	\$ 1,696,490	\$ 3,301,802	\$ 277,687	\$ 275,186
Cash and Cash Equivalents (Externally Restricted)	—	2,491,242	—	—	364,263	—
Short-term Investments	—	—	511,772	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	—	—	—	—	—
Pledges and Contributions	—	7,636	—	443,510	—	—
Other	60,748	—	—	—	—	—
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	1,727,985	1,271,270	—	—	—
Inventories	—	—	—	—	—	—
Prepaid Items	—	—	—	—	—	—
Other Assets	—	—	—	—	—	—
Total Current Assets	3,184,580	5,953,013	3,479,532	3,745,312	641,950	275,186
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	—	—	—	799,648	—	—
Other	—	—	—	—	—	—
Investments	22,109,715	2,729,381	—	10,337,990	—	199,455
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	60,722,606	36,773,381	—	—	—
Other Assets	237,925	—	—	—	—	—
Non-current Cash (Externally Restricted)	—	10,871,129	3,228,942	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	—	—	—	—	—	—
Capital Assets, net	7,605,033	596	2,784,948	—	8,745,684	—
Total Non-Current Assets	29,952,673	74,323,712	42,787,271	11,137,638	8,745,684	199,455
TOTAL ASSETS	33,137,253	80,276,725	46,266,803	14,882,950	9,387,634	474,641
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ 2,196,779	\$ —	\$ —	\$ —

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018

	Abraham Baldwin Agricultural College Foundation, Inc. & Subsidiaries	Albany State University Foundation, Inc.	Armstrong State University Educational Properties Foundation, Inc. & Subsidiaries	Armstrong State University Foundation, Inc.	Atlanta Metropolitan State College Projects Foundation, Inc.	Atlanta Metropolitan State College Foundation, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 22,179	\$ 1,674,670	\$ 67,449	\$ —	\$ —	\$ —
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	—	—	8,231,450	62,916	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	568,656	—	—	—
Deposits	—	—	10,558	—	—	—
Deposits Held for Other Organizations	—	—	—	—	—	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	—	—	—	—	285,000	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	1,955,000	1,135,000	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	22,179	3,629,670	10,013,113	62,916	285,000	—
Non-Current Liabilities						
Due to Related Parties	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	3,000,000	—	—	—	9,910,160	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	66,080,354	38,417,901	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	3,000,000	66,080,354	38,417,901	—	9,910,160	—
TOTAL LIABILITIES	3,022,179	69,710,024	48,431,014	62,916	10,195,160	—
DEFERRED INFLOWS OF RESOURCES						
	—	—	32,568	—	—	—
NET POSITION						
Net Investment in Capital Assets	4,605,033	596	—	—	—	—
Restricted for:						
Nonexpendable	9,559,578	1,846,644	—	5,920,281	—	—
Expendable	6,183,450	1,031,007	—	8,352,299	—	142,661
Unrestricted	9,767,013	7,688,454	—	547,454	(807,526)	331,980
TOTAL NET POSITION	\$ 30,115,074	\$ 10,566,701	\$ —	\$ 14,820,034	\$ (807,526)	\$ 474,641

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018**

	AU Health System Inc	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Augusta University College of Dental Medicine Faculty Practice Group d/b/a AU Dental Faculty Practice Group	Bainbridge State College Foundation	Clayton State University Foundation, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 62,015,768	\$ 3,599,289	\$ 4,381,937	\$ 1,356,247	\$ 21,522	\$ 2,843,703
Cash and Cash Equivalents (Externally Restricted)	4,196,045	3,253,919	—	—	—	5,078,325
Short-term Investments	37,961,738	1,482,318	—	—	—	—
Short-term Investments (Externally Restricted)	3,671,699	—	—	—	—	456,391
Accounts Receivable, net						
Federal Financial Assistance	—	—	4,154,994	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	4,759,717	443,489	7,500	1,620,181	—	—
Pledges and Contributions	—	156,166	—	—	—	503,361
Other	149,885,409	52,991	—	55,421	—	66,310
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	1,186,728	1,119,649	—	—	—	—
Inventories	19,105,346	—	—	—	—	—
Prepaid Items	17,410,195	—	—	95,544	—	10,226
Other Assets	—	—	—	—	—	—
Total Current Assets	300,192,645	10,107,821	8,544,431	3,127,393	21,522	8,958,316
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	—	166,876	—	—	—	323,106
Other	14,966,249	—	—	—	—	—
Investments	108,259,000	8,065,133	4,198,751	15,142,808	2,369,878	8,600,551
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	22,519,524	23,975,501	—	—	—	56,435,768
Other Assets	5,518,129	749,766	—	—	—	—
Non-current Cash (Externally Restricted)	—	—	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	—	20,046,067	—	—	—	1,659,940
Capital Assets, net	256,138,375	—	—	—	—	7,643,429
Total Non-Current Assets	407,401,277	53,003,343	4,198,751	15,142,808	2,369,878	74,662,794
TOTAL ASSETS	707,593,922	63,111,164	12,743,182	18,270,201	2,391,400	83,621,110
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018**

	AU Health System Inc	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Augusta University College of Dental Medicine Faculty Practice Group d/b/a AU Dental Faculty Practice Group	Bainbridge State College Foundation	Clayton State University Foundation, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 42,051,559	\$ 467,473	\$ 37,255	\$ 15,037,312	\$ —	\$ 1,717,090
Salaries Payable	11,655,786	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	35,855,763	606,865	4,161,470	679,661	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	49,561	—	—	—	—
Deposits	—	—	—	—	—	—
Deposits Held for Other Organizations	—	—	—	—	—	—
Other Liabilities	7,850,066	—	18,536	—	—	—
Notes and Loans Payable	3,254,167	—	—	—	—	—
Lease Purchase Obligations	5,469,281	—	—	—	—	—
Revenue Bonds and Notes Payable	2,945,000	960,000	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	19,392,373	—	—	—	—	—
Total Current Liabilities	128,473,995	2,083,899	4,217,261	15,716,973	—	1,717,090
Non-Current Liabilities						
Due to Related Parties	—	—	—	—	—	1,659,940
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	—
Other Liabilities	16,348,297	—	—	—	—	—
Notes and Loans Payable	60,595,833	—	—	—	—	4,140,902
Lease Purchase Obligations	17,777,061	—	—	—	—	64,805,725
Revenue Bonds and Notes Payable	129,102,958	23,118,925	—	—	—	—
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	14,818,596	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	6,165,679	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	244,808,424	23,118,925	—	—	—	70,606,567
TOTAL LIABILITIES	373,282,419	25,202,824	4,217,261	15,716,973	—	72,323,657
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	87,762,033	—	—	—	—	7,643,429
Restricted for:						
Nonexpendable	—	19,392,067	—	—	—	3,682,416
Expendable	—	15,515,865	69,973	—	2,391,400	6,468,608
Unrestricted	246,549,470	3,000,408	8,455,948	2,553,228	—	(6,497,000)
TOTAL NET POSITION	\$ 334,311,503	\$ 37,908,340	\$ 8,525,921	\$ 2,553,228	\$ 2,391,400	\$ 11,297,453

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018

	College of Coastal Georgia Foundation, Inc.	Columbus State University Alumni Association, Inc.	Columbus State University Athletic Fund, Inc.	Columbus State University Foundation, Inc.	Columbus State University Research & Service Foundation	Dalton State College Athletic Club
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 1,090,643	\$ 84,921	\$ —	\$ 2,952,114	\$ 25,507	\$ 3,773
Cash and Cash Equivalents (Externally Restricted)	—	6,914	180,821	6,034,569	—	—
Short-term Investments	—	50,312	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	—	—	85,093	—	—
Pledges and Contributions	64,074	—	16,321	8,949,718	—	—
Other	—	2,887	—	7,495	—	—
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	—	—	—	—	—
Inventories	—	4,345	—	—	—	—
Prepaid Items	1,023	9,125	—	397,610	—	—
Other Assets	—	—	4,225	22,073,651	—	—
Total Current Assets	1,155,740	158,504	201,367	40,500,250	25,507	3,773
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	96,117	—	—	19,289,923	—	—
Other	—	—	—	—	—	—
Investments	14,969,434	—	2,321,212	62,039,588	—	—
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	—	—	—	—	—
Other Assets	255,085	—	—	—	—	—
Non-current Cash (Externally Restricted)	—	—	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	—	237,871	—	—	—	—
Capital Assets, net	1,484,853	—	—	890,897	—	1,225,269
Total Non-Current Assets	16,805,489	237,871	2,321,212	82,220,408	—	1,225,269
TOTAL ASSETS	17,961,229	396,375	2,522,579	122,720,658	25,507	1,229,042
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
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	College of Coastal Georgia Foundation, Inc.	Columbus State University Alumni Association, Inc.	Columbus State University Athletic Fund, Inc.	Columbus State University Foundation, Inc.	Columbus State University Research & Service Foundation	Dalton State College Athletic Club
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ —	\$ 7,605	\$ 25,365	\$ 735,854	\$ —	\$ —
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	681,558	14	85,093	8,426,711	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	12,500	—	—
Deposits	—	—	—	—	—	—
Deposits Held for Other Organizations	—	—	—	—	22,957	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	—	—	—	—	—	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	—	—	—	—	—
Liabilities Under Split Interest Agreements	2,457	—	—	102,301	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	684,015	7,619	110,458	9,277,366	22,957	—
Non-Current Liabilities						
Due to Related Parties	—	—	—	13,549,790	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	—	—	—	—	—	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	—	—	—	—	—
Liabilities Under Split Interest Agreements	13,946	—	—	960,932	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	13,946	—	—	14,510,722	—	—
TOTAL LIABILITIES	697,961	7,619	110,458	23,788,088	22,957	—
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	1,484,853	—	—	890,897	—	1,225,269
Restricted for:						
Nonexpendable	7,031,767	106,517	1,363,583	47,768,469	—	—
Expendable	6,465,914	—	1,128,357	50,699,220	—	—
Unrestricted	2,280,734	282,239	(79,819)	(426,016)	2,550	3,773
TOTAL NET POSITION	\$ 17,263,268	\$ 388,756	\$ 2,412,121	\$ 98,932,570	\$ 2,550	\$ 1,229,042

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
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	Dalton State College Foundation, Inc.	Darton Boosters, Inc.	Darton State College Foundation, Inc.	East Georgia State College Foundation, Inc.	Fort Valley State University Foundation, Inc.	Foundation Properties, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 671,875	\$ 23,517	\$ 425,212	\$ 306,881	\$ 2,285,819	\$ 6,868,104
Cash and Cash Equivalents (Externally Restricted)	—	—	—	—	—	—
Short-term Investments	—	—	—	—	923,947	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	—	—	—	—	2,628,021
Pledges and Contributions	1,334,395	—	—	213,638	—	—
Other	50,000	—	—	—	23,369	140,948
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	451,978	—	—	845,579	—
Inventories	—	—	—	—	—	—
Prepaid Items	27,429	—	—	—	—	18,858
Other Assets	—	—	—	—	—	2,119
Total Current Assets	2,083,699	475,495	425,212	520,519	4,078,714	9,658,050
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	1,614,653
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	3,205,333	—	18,707	544,650	—	—
Other	77,401	—	—	—	23,904	—
Investments	26,142,515	—	4,191,949	800,620	—	2,123,818
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	21,305,240	—	—	55,894,526	—
Other Assets	—	349,107	—	—	42,264	588,688
Non-current Cash (Externally Restricted)	—	1,637,580	—	—	7,022,670	775,631
Short-term Investments (Externally Restricted)	—	—	—	—	5,968,279	—
Investments (Externally Restricted)	—	—	—	176,810	—	—
Capital Assets, net	5,689,784	—	389,919	706,146	1,120,788	100,977,288
Total Non-Current Assets	35,115,033	23,291,927	4,600,575	2,228,226	70,072,431	106,080,078
TOTAL ASSETS	37,198,732	23,767,422	5,025,787	2,748,745	74,151,145	115,738,128
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
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	Dalton State College Foundation, Inc.	Darton Boosters, Inc.	Darton State College Foundation, Inc.	East Georgia State College Foundation, Inc.	Fort Valley State University Foundation, Inc.	Foundation Properties, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 614,115	\$ —	\$ —	\$ 926	\$ 2,457,901	\$ 431,130
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	—	—	—	5,597	—	31,431,045
Due to Other Funds	—	—	—	—	—	1,000,000
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	16,430
Deposits	—	—	—	—	—	—
Deposits Held for Other Organizations	—	—	—	—	—	—
Other Liabilities	—	—	—	—	—	192,981
Notes and Loans Payable	2,916,670	—	—	—	292,136	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	515,000	—	—	885,000	1,946,555
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	3,530,785	515,000	—	6,523	3,635,037	35,018,141
Non-Current Liabilities						
Due to Related Parties	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	—	—	—	—	252,842	13,860,075
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	20,396,223	—	—	60,045,940	42,855,445
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	—	20,396,223	—	—	60,298,782	56,715,520
TOTAL LIABILITIES	3,530,785	20,911,223	—	6,523	63,933,819	91,733,661
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	5,689,784	—	389,919	706,146	1,907,503	41,903,901
Restricted for:						
Nonexpendable	11,595,908	—	1,359,176	176,810	3,957,224	1,804,840
Expendable	6,423,388	—	602,392	1,853,162	5,039,904	—
Unrestricted	9,958,867	2,856,199	2,674,300	6,104	(687,305)	(19,704,274)
TOTAL NET POSITION	\$ 33,667,947	\$ 2,856,199	\$ 5,025,787	\$ 2,742,222	\$ 10,217,326	\$ 24,004,467

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
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	Georgia Advanced Technology Ventures, Inc.	Georgia College & State University Alumni Association, Inc.	Georgia College & State University Foundation	Georgia Gwinnett College Foundation, Inc.	Georgia Health Sciences Foundation, Inc.	Georgia Highlands College Foundation, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 5,422,533	\$ 233,291	\$ 3,257,017	\$ 613,210	\$ 323,160	\$ 1,212,687
Cash and Cash Equivalents (Externally Restricted)	92,960	—	—	—	—	356,137
Short-term Investments	—	—	—	—	10,848,632	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	—	—	4,548	163,152	—
Pledges and Contributions	156,785	301,212	304,457	143,021	3,358,852	4,000
Other	98,896	—	1,295	59,381	65,793	—
Notes Receivable, net	15,668	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	—	—	4,495,046	—	323,339
Inventories	—	8,111	—	—	—	—
Prepaid Items	27,948	—	30,002	—	42,103	8,268
Other Assets	227,214	—	—	—	—	—
Total Current Assets	6,042,004	542,614	3,592,771	5,315,206	14,801,692	1,904,431
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	598,428	6,832	361,972	208,920	137,670	—
Other	—	—	—	—	—	—
Investments	15,000	8,691,582	37,828,406	5,814,352	2,491,483	2,214,021
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	—	84,779,839	161,166,269	—	15,696,134
Other Assets	—	4,500	945,869	10,857	—	—
Non-current Cash (Externally Restricted)	38,304,169	—	—	11,730,393	—	616,944
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	—	—	13,159,200	—	2,513,812	—
Capital Assets, net	115,225,475	—	1,216,075	8,262,388	2,330,775	890
Total Non-Current Assets	154,143,072	8,702,914	138,291,361	187,193,179	7,473,740	18,527,989
TOTAL ASSETS	160,185,076	9,245,528	141,884,132	192,508,385	22,275,432	20,432,420
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
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	Georgia Advanced Technology Ventures, Inc.	Georgia College & State University Alumni Association, Inc.	Georgia College & State University Foundation	Georgia Gwinnett College Foundation, Inc.	Georgia Health Sciences Foundation, Inc.	Georgia Highlands College Foundation, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 1,024,191	\$ 1,061	\$ 1,021,259	\$ 3,404,499	\$ 72,180	\$ 30,561
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	1,343,786	—	2,000,946	52,624	356,640	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	2,270,401	—	—	618,526	526,887	—
Deposits	175,193	—	—	—	—	—
Deposits Held for Other Organizations	—	—	3,404,151	—	—	—
Other Liabilities	134,360	—	—	—	—	—
Notes and Loans Payable	221,023	—	—	117,646	—	—
Lease Purchase Obligations	1,708,100	—	—	—	—	—
Revenue Bonds and Notes Payable	—	—	2,655,000	3,575,000	—	445,000
Liabilities Under Split Interest Agreements	—	—	—	—	90,485	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	561,929	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	7,438,983	1,061	9,081,356	7,768,295	1,046,192	475,561
Non-Current Liabilities						
Due to Related Parties	587,877	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	1,876,072	—	—	—	—	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	6,571,364	—	—	2,151,394	—	—
Lease Purchase Obligations	52,804,919	—	—	—	—	—
Revenue Bonds and Notes Payable	61,658,199	—	92,186,880	168,713,233	—	15,776,514
Liabilities Under Split Interest Agreements	—	—	808,641	—	187,097	—
Interest Rate Swap	—	—	5,479,942	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	123,498,431	—	98,475,463	170,864,627	187,097	15,776,514
TOTAL LIABILITIES	130,937,414	1,061	107,556,819	178,632,922	1,233,289	16,252,075
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	29,412,127	—	1,216,075	8,262,388	2,330,775	890
Restricted for:						
Nonexpendable	—	5,851,319	19,572,735	1,468,963	2,582,665	938,301
Expendable	7,128,464	2,776,244	9,193,328	1,302,018	13,909,247	1,740,066
Unrestricted	(7,292,929)	616,904	4,345,175	2,842,094	2,219,456	1,501,088
TOTAL NET POSITION	\$ 29,247,662	\$ 9,244,467	\$ 34,327,313	\$ 13,875,463	\$ 21,042,143	\$ 4,180,345

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

UNIVERSITY SYSTEM OF GEORGIA
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	Georgia Southern University Athletic Foundation, Inc.	Georgia Southern University Foundation, Inc.	Georgia Southern Housing Foundation, Inc.	Georgia Southern University Research & Service Foundation, Inc.	Georgia Southwestern State University Foundation, Inc.	Georgia State University Alumni Association, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 6,383,503	\$ 398,389	\$ 2,288,634	\$ 3,503,804	\$ 20,426	\$ 328,269
Cash and Cash Equivalents (Externally Restricted)	1,751,975	—	—	—	4,478,353	—
Short-term Investments	—	—	5,997,280	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	1,173,646	—	—
State General Appropriations	—	—	—	88,487	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	286,274	—	—	2,500	—	—
Pledges and Contributions	4,199,618	1,048,067	—	—	1,412,975	—
Other	—	37,405	32,504	2,207,635	—	53,065
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	—	8,847,508	—	—	—
Inventories	—	—	—	8,546	—	—
Prepaid Items	5,916	—	73,197	37,500	4,903	31,257
Other Assets	—	—	—	—	—	—
Total Current Assets	12,627,286	1,483,861	17,239,123	7,022,118	5,916,657	412,591
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	—	558,061	—	—	—	—
Other	—	—	—	—	—	—
Investments	1,748,000	62,531,868	—	—	31,312,707	1,541,785
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	20,305,871	—	213,117,609	—	—	—
Other Assets	17,333	2,222,435	—	—	14,879	24,246
Non-current Cash (Externally Restricted)	—	—	31,879,724	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	—	—	—	—	—	—
Capital Assets, net	2,843,160	1,554,682	1,620,000	—	161,505	14,253
Total Non-Current Assets	24,914,364	66,867,046	246,617,333	—	31,489,091	1,580,284
TOTAL ASSETS	37,541,650	68,350,907	263,856,456	7,022,118	37,405,748	1,992,875
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
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	Georgia Southern University Athletic Foundation, Inc.	Georgia Southern University Foundation, Inc.	Georgia Southern Housing Foundation, Inc.	Georgia Southern University Research & Service Foundation, Inc.	Georgia Southwestern State University Foundation, Inc.	Georgia State University Alumni Association, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 445,154	\$ 226,298	\$ 3,921,771	\$ 142,670	\$ 78,042	\$ 32,407
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	287,350	58,187	—	2,122,934	5,377	27,215
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	488,974	—	566,562	—	—	20,086
Deposits	—	—	—	—	—	—
Deposits Held for Other Organizations	—	—	—	836,946	—	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	—	—	—	—	—	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	—	7,985,000	—	—	—
Liabilities Under Split Interest Agreements	—	14,021	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	1,221,478	298,506	12,473,333	3,102,550	83,419	79,708
Non-Current Liabilities						
Due to Related Parties	—	—	2,596,400	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	—
Other Liabilities	512,322	—	10,558	—	—	—
Notes and Loans Payable	98,958	—	—	—	—	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	21,176,036	—	218,090,508	—	—	—
Liabilities Under Split Interest Agreements	—	79,515	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	21,787,316	79,515	220,697,466	—	—	—
TOTAL LIABILITIES	23,008,794	378,021	233,170,799	3,102,550	83,419	79,708
DEFERRED INFLOWS OF RESOURCES	—	—	75,231	757,394	—	—
NET POSITION						
Net Investment in Capital Assets	1,874,037	1,554,682	1,620,000	—	161,505	14,253
Restricted for:						
Nonexpendable	1,346,898	37,090,457	—	—	12,780,422	—
Expendable	8,277,993	29,327,747	31,879,724	—	14,721,033	44,587
Unrestricted	3,033,928	—	(2,889,298)	3,162,174	9,659,369	1,854,327
TOTAL NET POSITION	\$ 14,532,856	\$ 67,972,886	\$ 30,610,426	\$ 3,162,174	\$ 37,322,329	\$ 1,913,167

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018**

	Georgia State University Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation Inc. and Affiliates	Georgia Tech Alumni Association	Georgia Tech Athletic Association	Georgia Tech Facilities, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 3,302,696	\$ 5,866,847	\$ 11,607,729	\$ 509,690	\$ 7,935,052	\$ 7,332,379
Cash and Cash Equivalents (Externally Restricted)	—	22,354,408	2,842,889	—	—	28,177,571
Short-term Investments	—	—	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	—	2,600,840	—	1,034,347	2,191,980
Pledges and Contributions	12,921,741	5,798,990	—	—	3,327,816	—
Other	488,536	509,290	16,858,655	126,473	3,871,523	—
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	4,817,806	2,309,831	—	—	9,498,087
Inventories	—	—	—	9,032	—	—
Prepaid Items	263,403	—	13,873,078	71,321	1,203,090	256,189
Other Assets	—	—	—	—	—	—
Total Current Assets	16,976,376	39,347,341	50,093,022	716,516	17,371,828	47,456,206
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	6,721,098
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	—	8,342,840	—	—	4,529,908	—
Other	—	—	—	—	—	—
Investments	—	238,909,631	8,954,655	277,773	109,095,500	—
Notes Receivable, net	—	—	—	—	—	3,643
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	117,046,402	70,056,371	—	—	215,972,123
Other Assets	—	3,864,055	—	—	723,496	3,487,500
Non-current Cash (Externally Restricted)	—	—	—	—	—	32,883,455
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	—	—	—	—	—	—
Capital Assets, net	254,088	15,324,667	8,555,539	309,077	164,171,096	13,820,576
Total Non-Current Assets	254,088	383,487,595	87,566,565	586,850	278,520,000	272,888,395
TOTAL ASSETS	17,230,464	422,834,936	137,659,587	1,303,366	295,891,828	320,344,601
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ 8,355,807	\$ —	\$ 16,859,114	\$ —

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018**

	Georgia State University Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation Inc. and Affiliates	Georgia Tech Alumni Association	Georgia Tech Athletic Association	Georgia Tech Facilities, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 610,494	\$ 3,908,976	\$ 1,955,440	\$ 84,054	\$ 4,733,678	\$ 5,735,907
Salaries Payable	17,750	—	—	—	—	—
Benefits Payable	5,858	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	1,255,140
Due to Related Parties	—	—	22,687,562	16,354	1,808,231	1,034,347
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	1,431,256	1,250,000	—	209,242	354,537	1,235,883
Deposits	—	—	—	—	10,471,740	—
Deposits Held for Other Organizations	—	2,339,862	—	—	—	—
Other Liabilities	3,296	912,043	—	—	—	—
Notes and Loans Payable	—	—	—	—	945,963	—
Lease Purchase Obligations	18,829	617,900	—	—	69,087	—
Revenue Bonds and Notes Payable	—	5,145,000	—	—	1,145,000	11,403,267
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	1,279,688	—
Compensated Absences	—	—	—	350,071	—	—
Total Current Liabilities	2,087,483	14,173,781	24,643,002	659,721	20,807,924	20,664,544
Non-Current Liabilities						
Due to Related Parties	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	1,587,448
Other Liabilities	—	5,434,496	—	—	—	—
Notes and Loans Payable	—	—	—	—	4,136,573	—
Lease Purchase Obligations	15,141	—	—	—	51,815	—
Revenue Bonds and Notes Payable	—	131,052,210	81,081,458	—	214,850,250	252,845,825
Liabilities Under Split Interest Agreements	—	1,714,796	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	765,928	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	15,141	138,201,502	81,081,458	—	219,804,566	254,433,273
TOTAL LIABILITIES	2,102,624	152,375,283	105,724,460	659,721	240,612,490	275,097,817
DEFERRED INFLOWS OF RESOURCES	—	—	13,865,500	—	—	—
NET POSITION						
Net Investment in Capital Assets	220,118	15,324,667	8,555,539	309,077	(40,473,605)	11,625,686
Restricted for:						
Nonexpendable	—	164,209,327	—	—	37,154,723	—
Expendable	2,650,111	64,799,156	11,646,077	—	71,476,970	27,581,430
Unrestricted	12,257,611	26,126,503	6,223,818	334,568	3,980,364	6,039,668
TOTAL NET POSITION	\$ 15,127,840	\$ 270,459,653	\$ 26,425,434	\$ 643,645	\$ 72,138,452	\$ 45,246,784

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018

	Georgia Tech Foundation, Inc.	Georgia Tech Global, Inc.	Georgia Tech Research Corporation	Global Center for Medical Innovation	Gordon State College Foundation, Inc. & Subsidiaries	IgniteHQ
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 9,910,000	\$ 181,757	\$ 76,115,265	\$ 822,853	\$ 497,053	\$ 821,744
Cash and Cash Equivalents (Externally Restricted)	11,757,000	—	—	—	—	—
Short-term Investments	—	—	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	48,554	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	—	—	71,639	—	—
Pledges and Contributions	22,493,000	10,000	—	—	—	—
Other	24,041,000	—	170,816,370	2,007,381	6,407	—
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	6,987,880	—	346,304	—	42,206,003	—
Inventories	—	—	—	—	—	—
Prepaid Items	—	—	503,747	70,432	—	—
Other Assets	—	—	—	—	—	—
Total Current Assets	75,188,880	191,757	247,781,686	3,020,859	42,709,463	821,744
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	82,142,000	—	—	—	—	—
Other	—	—	—	—	—	—
Investments	1,095,524,000	—	63	—	9,130,836	—
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	110,230,281	—	4,048,306	—	—	—
Other Assets	24,783,000	—	—	37,161	5,442,681	—
Non-current Cash (Externally Restricted)	—	—	—	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	554,025,000	—	—	—	—	—
Capital Assets, net	111,683,000	—	934,597	10,797,347	—	604,617
Total Non-Current Assets	1,978,387,281	—	4,982,966	10,834,508	14,573,517	604,617
TOTAL ASSETS	2,053,576,161	191,757	252,764,652	13,855,367	57,282,980	1,426,361
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018**

	Georgia Tech Foundation, Inc.	Georgia Tech Global, Inc.	Georgia Tech Research Corporation	Global Center for Medical Innovation	Gordon State College Foundation, Inc. & Subsidiaries	IgniteHQ
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 3,077,000	\$ 11,097	\$ 296	\$ 342,643	\$ 6,457	\$ —
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	7,249,000	—	97,118,000	1,714,675	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	21,756,000	—	53,742,326	202,075	—	—
Deposits	191,000	—	—	—	—	—
Deposits Held for Other Organizations	—	—	28,158,408	—	—	—
Other Liabilities	—	—	5,071,544	—	—	76,949
Notes and Loans Payable	20,733,000	—	—	50,000	—	—
Lease Purchase Obligations	—	—	384,315	—	—	—
Revenue Bonds and Notes Payable	11,425,000	—	—	—	1,031,900	—
Liabilities Under Split Interest Agreements	1,465,000	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	409,000	—	—	—	—	—
Total Current Liabilities	66,305,000	11,097	184,474,889	2,309,393	1,038,357	76,949
Non-Current Liabilities						
Due to Related Parties	6,615,000	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	—
Other Liabilities	8,842,000	—	—	240,080	1,965,087	—
Notes and Loans Payable	46,442,000	—	—	365,000	—	—
Lease Purchase Obligations	—	—	4,010,295	—	—	—
Revenue Bonds and Notes Payable	236,889,000	—	—	—	40,273,560	—
Liabilities Under Split Interest Agreements	14,062,000	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	312,850,000	—	4,010,295	605,080	42,238,647	—
TOTAL LIABILITIES	379,155,000	11,097	188,485,184	2,914,473	43,277,004	76,949
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	48,844,000	—	934,597	10,797,347	—	604,617
Restricted for:						
Nonexpendable	734,346,000	—	—	—	3,038,314	—
Expendable	786,558,000	46,104	—	—	730,409	—
Unrestricted	104,673,161	134,556	63,344,871	143,547	10,237,253	744,795
TOTAL NET POSITION	\$ 1,674,421,161	\$ 180,660	\$ 64,279,468	\$ 10,940,894	\$ 14,005,976	\$ 1,349,412

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
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	James M. Dye Foundation, Inc.	Kennesaw State University Alumni Association, Inc.	Kennesaw State University Athletic Association, Inc.	Kennesaw State University Foundation, Inc.	Kennesaw State University Research & Service Foundation, Inc.	Medical College of Georgia Foundation
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 178,154	\$ 414,739	\$ 3,891,355	\$ 17,918,782	\$ 3,755,477	\$ 1,425,386
Cash and Cash Equivalents (Externally Restricted)	—	—	—	—	—	—
Short-term Investments	—	—	—	12,349,804	1,717,998	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	—	236,303	346,542	10,065	—
Pledges and Contributions	30	—	500,000	3,493,880	1,875,658	597,409
Other	7,919	751	447,911	300,459	—	—
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	—	—	9,234,713	—	—
Inventories	—	—	379,887	—	—	—
Prepaid Items	608	—	43,069	226,338	3,000	—
Other Assets	—	—	10,403	—	—	—
Total Current Assets	186,711	415,490	5,508,928	43,870,518	7,362,198	2,022,795
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	—	—	218,287	5,900,843	—	932,102
Other	—	—	—	—	—	16,588
Investments	2,381,823	—	—	15,095,722	—	120,894,345
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	—	—	219,778,178	—	—
Other Assets	—	—	—	—	—	264,596
Non-current Cash (Externally Restricted)	—	—	—	53,669,323	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	—	—	—	35,739,920	—	129,629,157
Capital Assets, net	—	—	1,892,994	87,213,893	—	9,934,459
Total Non-Current Assets	2,381,823	—	2,111,281	417,397,879	—	261,671,247
TOTAL ASSETS	2,568,534	415,490	7,620,209	461,268,397	7,362,198	263,694,042
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018

	James M. Dye Foundation, Inc.	Kennesaw State University Alumni Association, Inc.	Kennesaw State University Athletic Association, Inc.	Kennesaw State University Foundation, Inc.	Kennesaw State University Research & Service Foundation, Inc.	Medical College of Georgia Foundation
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 89,801	\$ 5,019	\$ 77,622	\$ 9,473,772	\$ 40,998	\$ —
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	—	—	—	1,599,219	4,145,724	104,503
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	747,320	1,068,340	983,324	—
Deposits	—	—	—	29,678	—	—
Deposits Held for Other Organizations	—	—	—	—	—	—
Other Liabilities	—	—	—	—	—	66,440
Notes and Loans Payable	—	—	392,549	—	—	5,000,000
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	—	—	12,715,000	—	—
Liabilities Under Split Interest Agreements	—	—	—	35,782	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	89,801	5,019	1,217,491	24,921,791	5,170,046	5,170,943
Non-Current Liabilities						
Due to Related Parties	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	625,001	—	—	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	—	—	400,000	—	—	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	—	—	362,381,063	—	—
Liabilities Under Split Interest Agreements	—	—	—	55,941	—	869,766
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	—	—	1,025,001	362,437,004	—	869,766
TOTAL LIABILITIES	89,801	5,019	2,242,492	387,358,795	5,170,046	6,040,709
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	—	—	1,100,445	(34,972,296)	—	4,934,459
Restricted for:						
Nonexpendable	2,190,554	54,802	—	39,189,061	—	129,629,157
Expendable	148,163	20,000	1,711,616	23,557,184	527,986	87,382,351
Unrestricted	140,016	335,669	2,565,656	46,135,653	1,664,166	35,707,366
TOTAL NET POSITION	\$ 2,478,733	\$ 410,471	\$ 5,377,717	\$ 73,909,602	\$ 2,192,152	\$ 257,653,333

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
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	Middle Georgia State University Foundation, Inc. & Subsidiaries	Middle Georgia State University Real Estate Foundation, Inc.	Savannah State University Foundation, Inc. & Subsidiaries	South Georgia State College Foundation, Inc. & Subsidiaries	Southern Polytechnic Applied Research Corporation	University of Georgia Athletic Association, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 185,108	\$ 2,185,769	\$ 696,120	\$ 1,001,737	\$ 717,119	\$ 56,249,118
Cash and Cash Equivalents (Externally Restricted)	394,462	—	—	—	—	—
Short-term Investments	—	—	214,602	—	—	—
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	—	—	—	—	69,857
Pledges and Contributions	324,840	—	—	—	—	—
Other	—	61,394,127	243,273	—	—	3,152,970
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	747,495	2,175,856	—	—	—
Inventories	—	—	—	—	—	—
Prepaid Items	20,141	7,275	6,046	—	500	616,863
Other Assets	—	—	—	—	—	—
Total Current Assets	924,551	64,334,666	3,335,897	1,001,737	717,619	60,088,808
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	293,396	—	—	—	—	—
Other	—	—	—	—	—	—
Investments	12,154,909	—	—	4,451,409	—	53,473,069
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	32,462,372	77,394,858	—	—	—
Other Assets	73,260	—	—	—	—	383,531
Non-current Cash (Externally Restricted)	—	—	5,405,866	—	—	—
Short-term Investments (Externally Restricted)	—	3,434,162	—	—	—	—
Investments (Externally Restricted)	—	—	—	—	—	—
Capital Assets, net	228,542	789,332	150,000	330,395	—	316,714,200
Total Non-Current Assets	12,750,107	36,685,866	82,950,724	4,781,804	—	370,570,800
TOTAL ASSETS	13,674,658	101,020,532	86,286,621	5,783,541	717,619	430,659,608
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13,353,531

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018

	Middle Georgia State University Foundation, Inc. & Subsidiaries	Middle Georgia State University Real Estate Foundation, Inc.	Savannah State University Foundation, Inc. & Subsidiaries	South Georgia State College Foundation, Inc. & Subsidiaries	Southern Polytechnic Applied Research Corporation	University of Georgia Athletic Association, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 200,812	\$ 2,258,105	\$ 328,141	\$ 107,198	\$ 312,578	\$ 5,663,152
Salaries Payable	—	—	—	—	—	6,953,376
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	—	—	—	—	317,555	6,936,673
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	34,667,957
Deposits	—	—	—	—	—	—
Deposits Held for Other Organizations	270,448	—	—	—	—	—
Other Liabilities	—	—	6,991,675	—	1,815	—
Notes and Loans Payable	—	773,000	200,705	—	—	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	1,710,000	2,160,000	—	—	5,495,000
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	471,260	4,741,105	9,680,521	107,198	631,948	59,716,158
Non-Current Liabilities						
Due to Related Parties	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	—
Other Liabilities	15,000	—	—	—	—	379,923
Notes and Loans Payable	—	—	1,345,408	—	—	15,836,592
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	89,584,844	71,030,767	—	—	95,207,340
Liabilities Under Split Interest Agreements	—	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	2,784,451
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	15,000	89,584,844	72,376,175	—	—	114,208,306
TOTAL LIABILITIES	486,260	94,325,949	82,056,696	107,198	631,948	173,924,464
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	228,542	789,332	10,614,342	330,395	—	210,744,348
Restricted for:						
Nonexpendable	9,497,912	—	110,000	2,859,773	—	—
Expendable	3,461,944	6,334,271	164,752	309,591	—	—
Unrestricted	—	(429,020)	(6,659,169)	2,176,584	85,671	59,344,327
TOTAL NET POSITION	\$ 13,188,398	\$ 6,694,583	\$ 4,229,925	\$ 5,676,343	\$ 85,671	\$ 270,088,675

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018**

	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	University of North Georgia Foundation - Dahlonega, Inc.	University of North Georgia Real Estate Foundation, Inc.	University of West Georgia Athletic Foundation, Inc.	University of West Georgia Foundation, Inc.
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 2,018,815	\$ 33,654,301	\$ (786,199)	\$ 2,463,567	\$ 206,326	\$ 1,560,055
Cash and Cash Equivalents (Externally Restricted)	15,430,636	—	930,650	3,972,107	248,127	4,379,399
Short-term Investments	14,066,020	—	—	—	—	—
Short-term Investments (Externally Restricted)	107,512,399	—	—	—	—	—
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	—
State General Appropriations	—	—	—	—	—	—
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	692,665	—	—	56,702	—
Pledges and Contributions	23,975,890	—	3,262,662	—	106,954	2,743,205
Other	2,184,582	30,723,081	304	—	—	41,659
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	8,121,304	—	3,929,655	—	1,417,033
Inventories	—	—	—	—	—	—
Prepaid Items	372,179	218,013	—	132,313	—	2,818
Other Assets	—	19,836,301	—	—	—	—
Total Current Assets	165,560,521	93,245,665	3,407,417	10,497,642	618,109	10,144,169
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	—
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	45,461,172	—	250,654	—	148,110	5,498,174
Other	—	—	—	—	—	—
Investments	116,124,963	49,419,215	66,656,588	—	750,850	31,854,878
Notes Receivable, net	—	—	—	—	—	—
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	—	231,616,248	—	127,710,333	—	40,357,004
Other Assets	14,930,888	824,360	63,467	—	94	881,308
Non-current Cash (Externally Restricted)	—	8,192,909	—	3,969,228	—	10,987,353
Short-term Investments (Externally Restricted)	—	—	—	—	—	—
Investments (Externally Restricted)	902,418,572	—	—	—	—	—
Capital Assets, net	23,642,386	19,406,427	94,290	2,738,131	—	329,190
Total Non-Current Assets	1,102,577,981	309,459,159	67,064,999	134,417,692	899,054	89,907,907
TOTAL ASSETS	1,268,138,502	402,704,824	70,472,416	144,915,334	1,517,163	100,052,076
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ 15,086,273	\$ —	\$ —	\$ —	\$ —

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018**

	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	University of North Georgia Foundation - Dahlonega, Inc.	University of North Georgia Real Estate Foundation, Inc.	University of West Georgia Athletic Foundation, Inc.	University of West Georgia Foundation, Inc.
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 1,713,310	\$ 1,835,871	\$ 5,885	\$ 2,692,247	\$ 20,134	\$ 1,949,805
Salaries Payable	—	—	—	—	—	—
Benefits Payable	—	—	—	—	—	—
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	—
Due to Related Parties	2,539,952	36,473,691	104,242	—	—	56,702
Due to Other Funds	—	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	1,753,250	2,066,732	—	414,217	88,725	—
Deposits	—	19,836,301	—	—	—	—
Deposits Held for Other Organizations	—	—	—	—	—	750,850
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	497,395	8,516,222	2,015,319	405,000	—	—
Lease Purchase Obligations	—	—	—	—	—	—
Revenue Bonds and Notes Payable	—	9,145,000	—	1,338,755	—	1,610,000
Liabilities Under Split Interest Agreements	778,433	—	—	—	—	—
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Total Current Liabilities	7,282,340	77,873,817	2,125,446	4,850,219	108,859	4,367,357
Non-Current Liabilities						
Due to Related Parties	—	—	—	—	—	—
Due to Other Funds	649,103	—	—	—	—	—
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	1,803,676	—	—	—	—
Other Liabilities	—	—	—	—	—	—
Notes and Loans Payable	15,011,522	—	—	1,215,000	—	—
Lease Purchase Obligations	—	—	—	—	—	329,190
Revenue Bonds and Notes Payable	—	245,099,853	—	130,793,255	—	43,707,305
Liabilities Under Split Interest Agreements	7,987,174	—	8,381	—	—	85,931
Interest Rate Swap	1,269,901	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	—
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	—
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	24,917,700	246,903,529	8,381	132,008,255	—	44,122,426
TOTAL LIABILITIES	32,200,040	324,777,346	2,133,827	136,858,474	108,859	48,489,783
DEFERRED INFLOWS OF RESOURCES						
	—	—	—	—	—	—
NET POSITION						
Net Investment in Capital Assets	8,133,469	10,890,205	94,290	2,738,131	—	—
Restricted for:						
Nonexpendable	596,270,687	—	28,529,662	—	—	21,004,125
Expendable	505,135,826	2,427,821	34,964,854	—	1,271,794	19,472,285
Unrestricted	126,398,480	79,695,725	4,749,783	5,318,729	136,510	11,085,883
TOTAL NET POSITION	\$ 1,235,938,462	\$ 93,013,751	\$ 68,338,589	\$ 8,056,860	\$ 1,408,304	\$ 51,562,293

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018

	University of West Georgia Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc. & Affiliates	Valdosta State University Auxiliary Services Real Estate Foundation	Valdosta State University Foundation, Inc.	Walter & Emilie Spivey Foundation	Total All CU's & Affiliated Organizations
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 882,631	\$ 692,107	\$ 2,463,913	\$ 6,118,009	\$ 12,691	\$ 386,151,047
Cash and Cash Equivalents (Externally Restricted)	4,855,656	13,224,835	—	—	—	136,853,263
Short-term Investments	740,517	—	—	—	—	86,864,940
Short-term Investments (Externally Restricted)	—	—	—	1,612	—	111,642,101
Accounts Receivable, net						
Federal Financial Assistance	—	—	—	—	—	5,377,194
State General Appropriations	—	—	—	—	—	88,487
Margin Allocation Funds	—	—	—	—	—	—
Related Parties	—	1,964,907	—	—	—	19,276,322
Pledges and Contributions	—	45,276	—	1,459,344	—	105,554,501
Other	—	—	301,738	—	—	470,425,961
Notes Receivable, net	—	—	—	—	—	15,668
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	2,659,246	9,533,603	4,815,329	—	—	129,069,227
Inventories	—	—	—	—	—	19,515,267
Prepaid Items	—	—	13,976	17,977	—	36,153,480
Other Assets	—	—	—	—	—	42,153,913
Total Current Assets	9,138,050	25,460,728	7,594,956	7,596,942	12,691	1,549,141,371
Non-Current Assets						
Accounts Receivable, net						
Related Parties	—	—	—	—	—	8,335,751
Due From USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Due From Institution - Capital Liability Reserve Fund	—	—	—	—	—	—
Pledges and Contributions	—	—	—	831,170	—	180,864,899
Other	—	—	—	—	—	15,084,142
Investments	248,305	5,458,580	—	39,521,700	6,697,755	2,435,867,571
Notes Receivable, net	—	—	—	—	—	3,643
Due From Other Funds	—	—	—	—	—	—
Investment in Capital Leases	114,180,350	393,272,230	163,697,876	—	—	2,690,515,200
Other Assets	—	1,865	—	1,058,337	—	67,800,682
Non-current Cash (Externally Restricted)	3,572,705	9,520,925	—	—	—	234,268,946
Short-term Investments (Externally Restricted)	—	—	—	—	—	9,402,441
Investments (Externally Restricted)	—	—	11,047,703	—	—	1,670,654,052
Capital Assets, net	—	—	227,338	7,111,623	269,567	1,326,159,583
Total Non-Current Assets	118,001,360	408,253,600	174,972,917	48,522,830	6,967,322	8,638,956,910
TOTAL ASSETS	127,139,410	433,714,328	182,567,873	56,119,772	6,980,013	10,188,098,281
DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 55,851,504

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (Unaudited)
JUNE 30, 2018**

	University of West Georgia Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc. & Affiliates	Valdosta State University Auxiliary Services Real Estate Foundation	Valdosta State University Foundation, Inc.	Walter & Emilie Spivey Foundation	Total All CU's & Affiliated Organizations
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 1,069,570	\$ 906,895	\$ 2,466,275	\$ 149,097	\$ 5,650	\$ 127,585,955
Salaries Payable	—	—	—	—	—	18,626,912
Benefits Payable	—	—	—	—	—	5,858
Contracts Payable	—	—	—	—	—	—
Retainage Payable	—	—	—	—	—	1,255,140
Due to Related Parties	—	—	—	—	—	280,389,632
Due to Other Funds	—	—	—	—	—	1,000,000
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	254,333	—	127,364,100
Deposits	—	—	—	—	—	30,714,470
Deposits Held for Other Organizations	—	1,865	—	115,913	—	35,901,400
Other Liabilities	—	—	—	397,764	—	21,717,469
Notes and Loans Payable	—	40,350,000	—	67,723	—	87,033,518
Lease Purchase Obligations	—	—	—	—	—	8,267,512
Revenue Bonds and Notes Payable	3,015,000	7,545,000	3,980,000	289,373	—	104,154,850
Liabilities Under Split Interest Agreements	—	—	—	44,518	—	2,532,997
Interest Rate Swap	—	—	—	—	—	—
Pollution Remediation	—	—	—	—	—	561,929
Claims and Judgments	—	—	—	—	—	1,279,688
Compensated Absences	—	—	—	—	—	20,151,444
Total Current Liabilities	4,084,570	48,803,760	6,446,275	1,318,721	5,650	868,542,874
Non-Current Liabilities						
Due to Related Parties	—	—	—	—	—	25,009,007
Due to Other Funds	—	—	—	—	—	649,103
Due to USO - Capital Liability Reserve Fund	—	—	—	—	—	—
Advances (Including Tuition and Fees)	—	—	—	—	—	5,892,197
Other Liabilities	—	—	—	—	—	33,747,763
Notes and Loans Payable	—	34,086,201	—	1,061,628	—	220,481,452
Lease Purchase Obligations	—	—	—	—	—	139,794,146
Revenue Bonds and Notes Payable	118,309,422	335,630,633	162,874,394	3,353,222	—	3,572,583,517
Liabilities Under Split Interest Agreements	—	—	—	161,017	—	26,995,137
Interest Rate Swap	—	—	5,823,186	—	—	30,176,076
Pollution Remediation	—	—	—	—	—	—
Claims and Judgments	—	—	—	—	—	765,928
Compensated Absences	—	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—	6,165,679
Net Pension Liability	—	—	—	—	—	—
Total Non-Current Liabilities	118,309,422	369,716,834	168,697,580	4,575,867	—	4,062,260,005
TOTAL LIABILITIES	122,393,992	418,520,594	175,143,855	5,894,588	5,650	4,930,802,879
DEFERRED INFLOWS OF RESOURCES	—	—	—	—	—	14,730,693
NET POSITION						
Net Investment in Capital Assets	—	—	227,338	2,339,677	269,567	475,860,382
Restricted for:						
Nonexpendable	—	418,998	—	37,789,063	—	2,003,489,198
Expendable	—	259,060	—	10,147,710	—	1,895,453,516
Unrestricted	4,745,418	14,515,676	7,196,680	(51,266)	6,704,796	923,613,117
TOTAL NET POSITION	\$ 4,745,418	\$ 15,193,734	\$ 7,424,018	\$ 50,225,184	\$ 6,974,363	\$ 5,298,416,213

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.



UNIVERSITY SYSTEM OF GEORGIA

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Abraham Baldwin Agricultural College Foundation, Inc. & Subsidiaries	Albany State University Foundation, Inc.	Armstrong State University Educational Properties Foundation, Inc. & Subsidiaries	Armstrong State University Foundation, Inc.	Atlanta Metropolitan State College Projects Foundation, Inc.	Atlanta Metropolitan State College Foundation, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Sales and Services	268,466	—	—	—	—	—
Rents and Royalties	247,820	4,106,867	1,203,146	—	—	—
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	1,534,787	645,037	—	984,735	801,024	315,715
Endowment Income	784,733	80,376	—	—	—	—
Other Operating Revenues	59,614	61,540	1,570,370	—	—	—
Total Operating Revenues	2,895,420	4,893,820	2,773,516	984,735	801,024	315,715
OPERATING EXPENSES						
Salaries	336,124	260,471	10,685	—	—	—
Employee Benefits	29,754	—	—	—	—	—
Other Personal Services	354,837	—	38,307	46,498	—	—
Travel	79,036	2,733	—	—	—	—
Scholarships and Fellowships	680,932	134,299	—	809,382	—	203,206
Utilities	17,611	—	10,241	—	—	—
Supplies and Other Services	1,038,872	1,951,645	2,258,973	1,008,655	28,031	118,777
Depreciation	81,286	7,932	—	—	432,176	—
Total Operating Expenses	2,618,452	2,357,080	2,318,206	1,864,535	460,207	321,983
Operating Income (Loss)	276,968	2,536,740	455,310	(879,800)	340,817	(6,268)
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	838,178	332,296	95,998	1,042,366	—	(193)
Interest Expense	—	(3,344,499)	(1,416,122)	—	(443,691)	—
Other Nonoperating Revenues (Expenses)	60,750	(63,520)	—	—	—	—
Net Nonoperating Revenues	898,928	(3,075,723)	(1,320,124)	1,042,366	(443,691)	(193)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	1,175,896	(538,983)	(864,814)	162,566	(102,874)	(6,461)
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	440,529	43,072	—	189,573	—	50,300
Special Item	—	—	(8,488,797)	—	—	—
Total Other Revenues, Expenses, Gains or Losses	440,529	43,072	(8,488,797)	189,573	—	50,300
Change in Net Position	1,616,425	(495,911)	(9,353,611)	352,139	(102,874)	43,839
Net Position, Beginning of Year, Restated	28,498,649	11,062,612	9,353,611	14,467,895	(704,652)	430,802
Net Position-End of Year	\$ 30,115,074	\$ 10,566,701	\$ —	\$ 14,820,034	\$ (807,526)	\$ 474,641

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	AU Health System Inc	Augusta University Foundation, Inc.	Augusta University Research Institute, Inc.	Augusta University College of Dental Medicine Faculty Practice Group d/b/a AU Dental Faculty Practice Group	Bainbridge State College Foundation	Clayton State University Foundation, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ 4,659,630	\$ —	\$ 50,592,029	\$ —	\$ —	\$ —
State	—	—	—	—	—	—
Other	—	43,920	10,156,955	—	—	—
Sales and Services	817,829,308	789,046	—	12,347,101	—	—
Rents and Royalties	986,098	174,859	351,258	—	—	753,713
Auxiliary Enterprises						
Food Services	2,051,622	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	—	1,375,772	—	—	\$ 253,828	4,338,478
Endowment Income	—	912,577	—	—	—	—
Other Operating Revenues	—	212,272	—	—	—	84,190
Total Operating Revenues	825,526,658	3,508,446	61,100,242	12,347,101	253,828	5,176,381
OPERATING EXPENSES						
Salaries	278,131,467	—	—	—	—	78,800
Employee Benefits	34,129,281	—	—	—	—	—
Other Personal Services	142,150,598	—	—	—	—	—
Travel	2,775,744	—	—	—	—	454,479
Scholarships and Fellowships	1,378,740	656,961	—	—	—	668,431
Utilities	4,399,194	—	—	—	—	—
Supplies and Other Services	309,801,866	1,864,933	61,088,356	12,705,660	154,068	1,895,219
Depreciation	36,175,226	6,240	—	—	—	233,529
Total Operating Expenses	808,942,116	2,528,134	61,088,356	12,705,660	154,068	3,330,458
Operating Income (Loss)	16,584,542	980,312	11,886	(358,559)	99,760	1,845,923
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	29,932,138	—	—	—	—	—
Grants and Contracts						
Federal	3,083,581	—	—	—	—	—
State	3,227,028	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	11,067,969	1,758,828	68,514	728,972	—	3,484,359
Interest Expense	(8,513,680)	(879,114)	—	—	28,291	(3,222,826)
Other Nonoperating Revenues (Expenses)	(7,033,260)	(353,408)	(18,092)	—	—	—
Net Nonoperating Revenues	31,763,776	526,306	50,422	728,972	28,291	261,533
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	48,348,318	1,506,618	62,308	370,413	128,051	2,107,456
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	(185,163)	—	—	—	—	—
Additions to Permanent and Term Endowments	—	587,066	—	—	—	144,006
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	(185,163)	587,066	—	—	—	144,006
Change in Net Position	48,163,155	2,093,684	62,308	370,413	128,051	2,251,462
Net Position, Beginning of Year, Restated	286,148,348	35,814,656	8,463,613	2,182,815	2,263,349	9,045,991
Net Position-End of Year	\$ 334,311,503	\$ 37,908,340	\$ 8,525,921	\$ 2,553,228	\$ 2,391,400	\$ 11,297,453

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	College of Coastal Georgia Foundation, Inc.	Columbus State University Alumni Association, Inc.	Columbus State University Athletic Fund, Inc.	Columbus State University Foundation, Inc.	Columbus State University Research & Service Foundation	Dalton State College Athletic Club
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Sales and Services	—	21,187	29,000	1,390,950	—	—
Rents and Royalties	116,394	—	—	81,934	331	—
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	840,165	49,810	58,543	13,080,767	280	4,743
Endowment Income	305,062	—	—	5,664,074	—	—
Other Operating Revenues	—	7,002	1,500	39,272	—	—
Total Operating Revenues	1,261,621	77,999	89,043	20,256,997	611	4,743
OPERATING EXPENSES						
Salaries	149,660	2,500	—	1,693,773	—	—
Employee Benefits	8,802	—	—	146,057	—	—
Other Personal Services	6,813	—	—	—	—	—
Travel	19,162	—	605	333,190	—	—
Scholarships and Fellowships	667,243	5,300	91,004	208,349	—	193,435
Utilities	—	—	—	—	—	—
Supplies and Other Services	342,714	80,769	94,218	10,324,575	883	214,875
Depreciation	43,022	—	7,224	14,840	—	84,267
Total Operating Expenses	1,237,416	88,569	193,051	12,720,784	883	492,577
Operating Income (Loss)	24,205	(10,570)	(104,008)	7,536,213	(272)	(487,834)
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	1,207,785	20,586	384,913	111,947	—	12
Interest Expense	—	—	—	—	—	—
Other Nonoperating Revenues (Expenses)	—	—	—	—	—	—
Net Nonoperating Revenues	1,207,785	20,586	384,913	111,947	—	12
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	1,231,990	10,016	280,905	7,648,160	(272)	(487,822)
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	160,937	—	1,250	2,898,600	—	—
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	160,937	—	1,250	2,898,600	—	—
Change in Net Position	1,392,927	10,016	282,155	10,546,760	(272)	(487,822)
Net Position, Beginning of Year, Restated	15,870,341	378,740	2,129,966	88,385,810	2,822	1,716,864
Net Position-End of Year	\$ 17,263,268	\$ 388,756	\$ 2,412,121	\$ 98,932,570	\$ 2,550	\$ 1,229,042

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Dalton State College Foundation, Inc.	Darton Boosters, Inc.	Darton State College Foundation, Inc.	East Georgia State College Foundation, Inc.	Fort Valley State University Foundation, Inc.	Foundation Properties, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Sales and Services	—	1,300	—	—	—	(365,000)
Rents and Royalties	—	1,806,541	24,000	—	3,418,528	5,763,296
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	1,746,996	—	101,935	788,641	1,086,728	35,871
Endowment Income	—	—	—	—	—	—
Other Operating Revenues	33,175	—	—	7,900	—	2,170
Total Operating Revenues	1,780,171	1,807,841	125,935	796,541	4,505,256	5,436,337
OPERATING EXPENSES						
Salaries	437,146	—	—	—	—	244,114
Employee Benefits	—	—	—	—	—	31,133
Other Personal Services	—	—	—	—	—	—
Travel	—	—	—	2,126	—	—
Scholarships and Fellowships	497,955	—	61,893	320,117	—	—
Utilities	—	—	—	—	—	33,797
Supplies and Other Services	6,507,048	139,981	87,738	179,883	2,111,433	931,635
Depreciation	5,214	—	3,750	7,992	47,728	2,263,692
Total Operating Expenses	7,447,363	139,981	153,381	510,118	2,159,161	3,504,371
Operating Income (Loss)	(5,667,192)	1,667,860	(27,446)	286,423	2,346,095	1,931,966
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	3,061,691	16,564	291,501	83,978	923	256,088
Interest Expense	(20,670)	(1,616,187)	—	—	(2,685,167)	(1,827,547)
Other Nonoperating Revenues (Expenses)	—	—	—	—	—	—
Net Nonoperating Revenues	3,041,021	(1,599,623)	291,501	83,978	(2,684,244)	(1,571,459)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,626,171)	68,237	264,055	370,401	(338,149)	360,507
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	1,441,969	—	—	475	39,438	—
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	1,441,969	—	—	475	39,438	—
Change in Net Position	(1,184,202)	68,237	264,055	370,876	(298,711)	360,507
Net Position, Beginning of Year, Restated	34,852,149	2,787,962	4,761,732	2,371,346	10,516,037	23,643,960
Net Position-End of Year	\$ 33,667,947	\$ 2,856,199	\$ 5,025,787	\$ 2,742,222	\$ 10,217,326	\$ 24,004,467

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia Advanced Technology Ventures, Inc.	Georgia College & State University Alumni Association, Inc.	Georgia College & State University Foundation	Georgia Gwinnett College Foundation, Inc.	Georgia Health Sciences Foundation, Inc.	Georgia Highlands College Foundation, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State	—	—	—	—	—	—
Other	28,609	—	—	—	1,778,010	—
Sales and Services	364,193	—	—	82,677	353,928	14,944
Rents and Royalties	12,927,160	—	5,150,235	9,233,008	12,300	1,041,433
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	267,720	\$ 139,121	4,386,738	1,589,988	3,260,426	409,696
Endowment Income	—	—	2,443,949	—	—	214,472
Other Operating Revenues	256,876	102,700	151,110	—	3,195,286	20
Total Operating Revenues	13,844,558	241,821	12,132,032	10,905,673	8,599,950	1,680,565
OPERATING EXPENSES						
Salaries	288,973	138,503	196,359	—	—	78,511
Employee Benefits	—	—	—	—	—	—
Other Personal Services	—	—	—	—	2,862,971	—
Travel	—	238	90,380	—	189,071	—
Scholarships and Fellowships	—	250,468	820,559	249,979	1,007,122	152,574
Utilities	34,476	—	60,652	—	—	—
Supplies and Other Services	6,773,651	136,904	4,902,767	1,697,582	5,988,505	343,306
Depreciation	2,920,645	401	55,157	457	—	155
Total Operating Expenses	10,017,745	526,514	6,125,874	1,948,018	10,047,669	574,546
Operating Income (Loss)	3,826,813	(284,693)	6,006,158	8,957,655	(1,447,719)	1,106,019
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	48,742	679,261	4,789,364	330,169	521,623	(24,109)
Interest Expense	(3,230,936)	—	(4,192,793)	(5,261,844)	(8,769)	(841,810)
Other Nonoperating Revenues (Expenses)	—	(22,373)	(1,979,146)	2,946,555	—	—
Net Nonoperating Revenues	(3,182,194)	656,888	(1,382,575)	(1,985,120)	512,854	(865,919)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	644,619	372,195	4,623,583	6,972,535	(934,865)	240,100
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	—	581,099	1,185,205	162,420	158,623	10,621
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	—	581,099	1,185,205	162,420	158,623	10,621
Change in Net Position	644,619	953,294	5,808,788	7,134,955	(776,242)	250,721
Net Position, Beginning of Year, Restated	28,603,043	8,291,173	28,518,525	6,740,508	21,818,385	3,929,624
Net Position-End of Year	\$ 29,247,662	\$ 9,244,467	\$ 34,327,313	\$ 13,875,463	\$ 21,042,143	\$ 4,180,345

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia Southern University Athletic Foundation, Inc.	Georgia Southern University Foundation, Inc.	Georgia Southern Housing Foundation, Inc.	Georgia Southern University Research & Service Foundation, Inc.	Georgia Southwestern State University Foundation, Inc.	Georgia State University Alumni Association, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ 4,395,877	\$ —	\$ —
State	—	—	—	338,235	—	—
Other	—	—	—	10,485,993	—	—
Sales and Services	—	—	—	—	—	490,583
Rents and Royalties	1,336,675	—	9,899,969	—	2,459,037	—
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	4,165,229	5,279,054	—	—	2,462,512	96,939
Endowment Income	123,937	2,726,726	—	—	—	—
Other Operating Revenues	4,051	569,396	7,637,541	2,449	543,455	85,703
Total Operating Revenues	5,629,892	8,575,176	17,537,510	15,222,554	5,465,004	673,225
OPERATING EXPENSES						
Salaries	1,561,942	4,173,306	—	—	118,468	—
Employee Benefits	20,273	—	—	—	20,773	—
Other Personal Services	33,882	—	329,635	88,624	—	—
Travel	—	138,273	—	4,492	16,319	—
Scholarships and Fellowships	950,150	1,992,915	—	—	1,183,432	48,361
Utilities	—	—	—	—	—	—
Supplies and Other Services	912,706	1,160,291	4,199,053	15,088,268	8,422,887	669,355
Depreciation	321,992	17,714	—	—	—	—
Total Operating Expenses	3,800,945	7,482,499	4,528,688	15,181,384	9,761,879	717,716
Operating Income (Loss)	1,828,947	1,092,677	13,008,822	41,170	(4,296,875)	(44,491)
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	21,741	861,883	587,495	3,624	2,372,800	69,642
Interest Expense	(868,205)	(5,645)	(8,262,293)	—	—	—
Other Nonoperating Revenues (Expenses)	—	—	—	—	3,849,500	—
Net Nonoperating Revenues	(846,464)	856,238	(7,674,798)	3,624	6,222,300	69,642
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	982,483	1,948,915	5,334,024	44,794	1,925,425	25,151
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	238,979	600,277	—	—	215,316	—
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	238,979	600,277	—	—	215,316	—
Change in Net Position	1,221,462	2,549,192	5,334,024	44,794	2,140,741	25,151
Net Position, Beginning of Year, Restated	13,311,394	65,423,694	25,276,402	3,117,380	35,181,588	1,888,016
Net Position-End of Year	\$ 14,532,856	\$ 67,972,886	\$ 30,610,426	\$ 3,162,174	\$ 37,322,329	\$ 1,913,167

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia State University Athletic Association, Inc.	Georgia State University Foundation, Inc.	Georgia State University Research Foundation Inc. and Affiliates	Georgia Tech Alumni Association	Georgia Tech Athletic Association	Georgia Tech Facilities, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ 74,603,709	\$ —	\$ —	\$ —
State	—	—	1,537,339	—	—	—
Other	—	—	18,467,719	—	—	23,146,940
Sales and Services	3,000,241	—	—	1,559,536	64,095,182	128,635
Rents and Royalties	640,717	17,375,554	93,996	201,564	9,442,347	14,125,565
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	36,074,116	22,247,918	—	5,385,294	2,745,332	—
Endowment Income	—	6,371,836	—	—	—	—
Other Operating Revenues	4,052,973	1,544,394	3,032,914	11,223	—	29,205
Total Operating Revenues	<u>43,768,047</u>	<u>47,539,702</u>	<u>97,735,677</u>	<u>7,157,617</u>	<u>76,282,861</u>	<u>37,430,245</u>
OPERATING EXPENSES						
Salaries	10,553,507	2,251,315	—	3,533,056	—	—
Employee Benefits	279,987	—	—	935,695	—	—
Other Personal Services	—	—	—	—	—	—
Travel	379,662	1,076,496	97,771	259,220	4,450,024	—
Scholarships and Fellowships	7,459,242	7,395,350	—	21,100	11,472,295	—
Utilities	141,190	—	7,720	—	—	193,750
Supplies and Other Services	13,722,507	28,398,259	93,899,206	1,951,648	53,116,718	904,578
Depreciation	70,338	591,008	708,822	73,687	7,496,855	60,000
Total Operating Expenses	<u>32,606,433</u>	<u>39,712,428</u>	<u>94,713,519</u>	<u>6,774,406</u>	<u>76,535,892</u>	<u>1,158,328</u>
Operating Income (Loss)	<u>11,161,614</u>	<u>7,827,274</u>	<u>3,022,158</u>	<u>383,211</u>	<u>(253,031)</u>	<u>36,271,917</u>
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	(281,669)	—	813,928	—
Investment Income	—	8,147,416	741,809	5,604	9,868,946	216,576
Interest Expense	—	(1,381,634)	(2,687,677)	—	(12,540,627)	(12,417,915)
Other Nonoperating Revenues (Expenses)	—	—	663,433	—	—	—
Net Nonoperating Revenues	<u>—</u>	<u>6,765,782</u>	<u>(1,564,104)</u>	<u>5,604</u>	<u>(1,857,753)</u>	<u>(12,201,339)</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>11,161,614</u>	<u>14,593,056</u>	<u>1,458,054</u>	<u>388,815</u>	<u>(2,110,784)</u>	<u>24,070,578</u>
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	10,292,240	—
Additions to Permanent and Term Endowments	—	—	—	—	2,618,107	—
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,910,347</u>	<u>—</u>
Change in Net Position	<u>11,161,614</u>	<u>14,593,056</u>	<u>1,458,054</u>	<u>388,815</u>	<u>10,799,563</u>	<u>24,070,578</u>
Net Position, Beginning of Year, Restated	<u>3,966,226</u>	<u>255,866,597</u>	<u>24,967,380</u>	<u>254,830</u>	<u>61,338,889</u>	<u>21,176,206</u>
Net Position-End of Year	<u>\$ 15,127,840</u>	<u>\$ 270,459,653</u>	<u>\$ 26,425,434</u>	<u>\$ 643,645</u>	<u>\$ 72,138,452</u>	<u>\$ 45,246,784</u>

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Georgia Tech Foundation, Inc.	Georgia Tech Global, Inc.	Georgia Tech Research Corporation	Global Center for Medical Innovation	Gordon State College Foundation, Inc. & Subsidiaries	IgniteHQ
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ 656,384,430	\$ 100,900	\$ —	\$ —
State	—	—	7,887,371	—	—	—
Other	—	—	90,935,250	—	—	754,033
Sales and Services	19,000	—	—	3,435,858	—	—
Rents and Royalties	29,637,000	—	13,505,198	—	2,872,571	—
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	—
Gifts and Contributions	41,263,000	365,482	—	10,798,182	256,469	17,182
Endowment Income	—	—	—	—	—	—
Other Operating Revenues	—	—	—	—	39,522	98,490
Total Operating Revenues	70,919,000	365,482	768,712,249	14,334,940	3,168,562	869,705
OPERATING EXPENSES						
Salaries	4,410,000	—	—	1,746,883	—	351,151
Employee Benefits	897,000	—	—	500,318	—	—
Other Personal Services	603,000	60,664	—	230,468	—	—
Travel	123,000	—	117,632	76,869	—	—
Scholarships and Fellowships	—	—	—	—	318,138	—
Utilities	744,000	—	—	99,098	—	—
Supplies and Other Services	101,601,000	94,133	760,462,694	1,415,049	149,848	405,573
Depreciation	4,107,000	—	308,743	491,043	—	—
Total Operating Expenses	112,485,000	154,797	760,889,069	4,559,728	467,986	756,724
Operating Income (Loss)	(41,566,000)	210,685	7,823,180	9,775,212	2,700,576	112,981
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	147,748,161	—	299,668	950	484,326	—
Interest Expense	(12,244,000)	—	—	(2,110)	(1,941,393)	—
Other Nonoperating Revenues (Expenses)	—	(145,435)	36,447	—	—	—
Net Nonoperating Revenues	135,504,161	(145,435)	336,115	(1,160)	(1,457,067)	—
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	93,938,161	65,250	8,159,295	9,774,052	1,243,509	112,981
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	39,690,000	—	—	—	—	—
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	39,690,000	—	—	—	—	—
Change in Net Position	133,628,161	65,250	8,159,295	9,774,052	1,243,509	112,981
Net Position, Beginning of Year, Restated	1,540,793,000	115,410	56,120,173	1,166,842	12,762,467	1,236,431
Net Position-End of Year	\$ 1,674,421,161	\$ 180,660	\$ 64,279,468	\$ 10,940,894	\$ 14,005,976	\$ 1,349,412

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	James M. Dye Foundation, Inc.	Kennesaw State University Alumni Association, Inc.	Kennesaw State University Athletic Association, Inc.	Kennesaw State University Foundation, Inc.	Kennesaw State University Research & Service Foundation, Inc.	Medical College of Georgia Foundation
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ 4,893,310	\$ —
State	—	—	—	—	—	—
Other	—	—	805,805	—	1,788,344	—
Sales and Services	—	—	—	518,047	823,882	—
Rents and Royalties	—	—	—	44,537,667	48,974	54,287
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	2,781,783	—	—	—
Gifts and Contributions	56,425	—	6,343,089	8,189,839	631,737	2,085,115
Endowment Income	—	—	—	1,458,003	—	—
Other Operating Revenues	—	\$ 83,679	1,409,158	—	64,750	1,208,708
Total Operating Revenues	56,425	83,679	11,339,835	54,703,556	8,250,997	3,348,110
OPERATING EXPENSES						
Salaries	—	377,556	543,343	2,560,101	3,390,741	784,356
Employee Benefits	—	—	—	—	—	128,677
Other Personal Services	—	—	—	61,564	2,929,508	—
Travel	—	1,829	536,531	14,499	311,975	33,306
Scholarships and Fellowships	107,935	3,500	1,032,632	1,717,943	—	1,804,722
Utilities	—	—	—	3,089,441	—	28,486
Supplies and Other Services	—	91,680	7,161,856	14,726,215	2,203,564	6,916,596
Depreciation	—	—	393,048	5,117,855	—	57,305
Total Operating Expenses	107,935	474,565	9,667,410	27,287,618	8,835,788	9,753,448
Operating Income (Loss)	(51,510)	(390,886)	1,672,425	27,415,938	(584,791)	(6,405,338)
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	409,031	—	—	—	—
Investment Income	130,634	752	—	2,397,293	64,963	19,808,102
Interest Expense	—	—	5,788	(14,203,670)	—	—
Other Nonoperating Revenues (Expenses)	—	—	—	—	—	—
Net Nonoperating Revenues	130,634	409,783	5,788	(11,806,377)	64,963	19,808,102
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	79,124	18,897	1,678,213	15,609,561	(519,828)	13,402,764
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	43,677	—	—	2,479,301	—	1,864,565
Special Item	—	—	—	(4,795,955)	—	—
Total Other Revenues, Expenses, Gains or Losses	43,677	—	—	(2,316,654)	—	1,864,565
Change in Net Position	122,801	18,897	1,678,213	13,292,907	(519,828)	15,267,329
Net Position, Beginning of Year, Restated	2,355,932	391,574	3,699,504	60,616,695	2,711,980	242,386,004
Net Position-End of Year	\$ 2,478,733	\$ 410,471	\$ 5,377,717	\$ 73,909,602	\$ 2,192,152	\$ 257,653,333

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	Middle Georgia State University Foundation, Inc. & Subsidiaries	Middle Georgia State University Real Estate Foundation, Inc.	Savannah State University Foundation, Inc. & Subsidiaries	South Georgia State College Foundation, Inc. & Subsidiaries	Southern Polytechnic Applied Research Corporation	University of Georgia Athletic Association, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ 61,749	\$ —
State	—	—	—	—	117,158	—
Other	—	—	—	—	46,907	—
Sales and Services	—	—	—	—	—	—
Rents and Royalties	—	4,987,537	4,946,602	—	—	—
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	145,102,432
Gifts and Contributions	1,136,050	—	320,221	159,432	—	—
Endowment Income	—	—	—	—	—	—
Other Operating Revenues	125,804	6,041	—	—	32,150	—
Total Operating Revenues	<u>1,261,854</u>	<u>4,993,578</u>	<u>5,266,823</u>	<u>159,432</u>	<u>257,964</u>	<u>145,102,432</u>
OPERATING EXPENSES						
Salaries	—	—	—	—	—	17,379,558
Employee Benefits	—	—	—	—	—	495,620
Other Personal Services	—	—	—	—	—	—
Travel	—	—	—	—	—	10,934,918
Scholarships and Fellowships	367,543	—	91,950	1,816,843	—	—
Utilities	—	—	—	—	—	—
Supplies and Other Services	1,217,628	8,592,512	1,036,616	—	637,272	100,965,659
Depreciation	—	—	—	—	—	10,278,367
Total Operating Expenses	<u>1,585,171</u>	<u>8,592,512</u>	<u>1,128,566</u>	<u>1,816,843</u>	<u>637,272</u>	<u>140,054,122</u>
Operating Income (Loss)	<u>(323,317)</u>	<u>(3,598,934)</u>	<u>4,138,257</u>	<u>(1,657,411)</u>	<u>(379,308)</u>	<u>5,048,310</u>
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	27,020,882
Investment Income	1,374,924	300,970	16,394	108,326	—	3,357,675
Interest Expense	—	(4,475,087)	(1,576,576)	522,501	—	(3,323,491)
Other Nonoperating Revenues (Expenses)	—	—	—	—	(254,238)	(18,690)
Net Nonoperating Revenues	<u>1,374,924</u>	<u>(4,174,117)</u>	<u>(1,560,182)</u>	<u>630,827</u>	<u>(254,238)</u>	<u>27,036,376</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>1,051,607</u>	<u>(7,773,051)</u>	<u>2,578,075</u>	<u>(1,026,584)</u>	<u>(633,546)</u>	<u>32,084,686</u>
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	502,351	—	—	9,625	—	—
Special Item	—	—	—	—	—	—
Total Other Revenues, Expenses, Gains or Losses	<u>502,351</u>	<u>—</u>	<u>—</u>	<u>9,625</u>	<u>—</u>	<u>—</u>
Change in Net Position	<u>1,553,958</u>	<u>(7,773,051)</u>	<u>2,578,075</u>	<u>(1,016,959)</u>	<u>(633,546)</u>	<u>32,084,686</u>
Net Position, Beginning of Year, Restated	<u>11,634,440</u>	<u>14,467,634</u>	<u>1,651,850</u>	<u>6,693,302</u>	<u>719,217</u>	<u>238,003,989</u>
Net Position-End of Year	<u>\$ 13,188,398</u>	<u>\$ 6,694,583</u>	<u>\$ 4,229,925</u>	<u>\$ 5,676,343</u>	<u>\$ 85,671</u>	<u>\$ 270,088,675</u>

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	University of Georgia Foundation	University of Georgia Research Foundation, Inc.	University of North Georgia Foundation - Dahlonega, Inc.	University of North Georgia Real Estate Foundation, Inc.	University of West Georgia Athletic Foundation, Inc.	University of West Georgia Foundation, Inc.
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State	—	—	—	—	—	—
Other	—	180,061,965	—	—	—	—
Sales and Services	9,664,456	—	—	—	—	100,000
Rents and Royalties	1,161,698	27,740,812	71,605	8,438,432	—	3,277,649
Auxiliary Enterprises						
Food Services	—	—	—	—	—	—
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	349,928	—
Gifts and Contributions	71,836,680	—	5,646,522	168,477	764,688	8,371,639
Endowment Income	—	—	2,305,423	—	—	611,940
Other Operating Revenues	—	—	—	636	100,456	1,289
Total Operating Revenues	82,662,834	207,802,777	8,023,550	8,607,545	1,215,072	12,362,517
OPERATING EXPENSES						
Salaries	447,708	—	—	—	245,162	1,630,601
Employee Benefits	—	—	—	—	—	—
Other Personal Services	—	—	—	—	70,905	—
Travel	904,110	—	—	—	17,103	85,463
Scholarships and Fellowships	63,000	—	2,483,385	—	16,500	1,331,486
Utilities	—	—	—	—	—	—
Supplies and Other Services	105,908,900	198,862,595	1,738,189	947,587	1,036,531	2,999,950
Depreciation	1,334,098	114,739	41,340	123,290	—	—
Total Operating Expenses	108,657,816	198,977,334	4,262,914	1,070,877	1,386,201	6,047,500
Operating Income (Loss)	(25,994,982)	8,825,443	3,760,636	7,536,668	(171,129)	6,315,017
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	—
Grants and Contracts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	—
Investment Income	84,594,622	846,993	3,357,143	143,280	46,759	1,969,985
Interest Expense	940,830	(10,613,517)	(90,364)	(5,629,528)	—	(2,343,074)
Other Nonoperating Revenues (Expenses)	(2,373,000)	955,000	—	—	—	26,232
Net Nonoperating Revenues	83,162,452	(8,811,524)	3,266,779	(5,486,248)	46,759	(346,857)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	57,167,470	13,919	7,027,415	2,050,420	(124,370)	5,968,160
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	—
Additions to Permanent and Term Endowments	55,915,213	—	770,159	—	—	841,758
Special Item	—	(354,800)	—	(2,734,622)	—	—
Total Other Revenues, Expenses, Gains or Losses	55,915,213	(354,800)	770,159	(2,734,622)	—	841,758
Change in Net Position	113,082,683	(340,881)	7,797,574	(684,202)	(124,370)	6,809,918
Net Position, Beginning of Year, Restated	1,122,855,779	93,354,632	60,541,015	8,741,062	1,532,674	44,752,375
Net Position-End of Year	\$ 1,235,938,462	\$ 93,013,751	\$ 68,338,589	\$ 8,056,860	\$ 1,408,304	\$ 51,562,293

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

	University of West Georgia Real Estate Foundation, Inc.	University System of Georgia Foundation, Inc. & Affiliates	Valdosta State University Auxiliary Services Real Estate Foundation	Valdosta State University Foundation, Inc.	Walter & Emilie Spivey Foundation	Total All CU's & Affiliated Organizations
OPERATING REVENUES						
Grants and Contracts						
Federal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 795,691,634
State	—	—	—	—	—	9,880,103
Other	—	6,197	—	—	—	338,506,647
Sales and Services	—	662,521	—	430,219	—	918,055,160
Rents and Royalties	5,853,649	16,195,671	6,525,396	508,929	—	273,338,022
Auxiliary Enterprises						
Food Services	—	—	—	—	—	2,051,622
Health Services	—	—	—	—	—	—
Intercollegiate Athletics	—	—	—	—	—	148,234,143
Gifts and Contributions	—	1,140,827	95,811	1,401,409	—	277,602,214
Endowment Income	—	523,103	—	—	—	24,526,211
Other Operating Revenues	439,773	7,905,032	997,894	23,555	129,685	35,964,923
Total Operating Revenues	6,293,422	26,433,351	7,619,101	2,364,112	129,685	2,823,850,679
OPERATING EXPENSES						
Salaries	—	347,818	—	—	—	338,453,658
Employee Benefits	—	—	—	—	—	37,623,370
Other Personal Services	—	—	—	34,675	—	149,902,949
Travel	—	29,482	—	105,332	—	23,661,070
Scholarships and Fellowships	—	1,572,199	—	1,081,099	—	53,389,669
Utilities	—	—	—	—	—	8,859,656
Supplies and Other Services	161,346	1,305,463	1,057,665	2,629,107	255,292	1,981,799,518
Depreciation	—	—	—	228,388	—	74,326,565
Total Operating Expenses	161,346	3,254,962	1,057,665	4,078,601	255,292	2,668,016,455
Operating Income (Loss)	6,132,076	23,178,389	6,561,436	(1,714,489)	(125,607)	155,834,224
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	—	—	—	—	—	29,932,138
Grants and Contracts						
Federal	—	—	—	—	—	3,083,581
State	—	—	—	—	—	3,227,028
Other	—	—	—	—	—	—
Gifts	—	—	—	—	—	27,962,172
Investment Income	145,203	(33,889)	117,980	4,419,605	657,087	326,453,767
Interest Expense	(5,054,010)	(9,467,404)	(6,136,629)	102,932	—	(151,170,162)
Other Nonoperating Revenues (Expenses)	—	—	—	—	(81,598)	(3,804,843)
Net Nonoperating Revenues	(4,908,807)	(9,501,293)	(6,018,649)	4,522,537	575,489	235,683,681
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	1,223,269	13,677,096	542,787	2,808,048	449,882	391,517,905
Capital Grants and Gifts						
Federal	—	—	—	—	—	—
State	—	—	—	—	—	—
Other	—	—	—	—	—	10,107,077
Additions to Permanent and Term Endowments	—	61,450	—	4,144,769	—	118,090,730
Special Item	—	—	—	—	—	(16,374,174)
Total Other Revenues, Expenses, Gains or Losses	—	61,450	—	4,144,769	—	111,823,633
Change in Net Position	1,223,269	13,738,546	542,787	6,952,817	449,882	503,341,538
Net Position, Beginning of Year, Restated	3,522,149	1,455,188	6,881,231	43,272,367	6,524,481	4,795,074,675
Net Position-End of Year	\$ 4,745,418	\$ 15,193,734	\$ 7,424,018	\$ 50,225,184	\$ 6,974,363	\$ 5,298,416,213

See Notes to Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by Affiliated Organization.

**UNIVERSITY SYSTEM OF GEORGIA
NOTES TO STATEMENT OF NET POSITION AND STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (Unaudited)
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Fiscal Year End for a few of the affiliated organizations differ from the June 30, 2018 Year End.

The following organizations have a Fiscal Year End of July 31, 2017:

- Columbus State University Alumni Association, Inc.
- Columbus State University Athletic Fund, Inc.
- Columbus State University Foundation, Inc.
- Columbus State University Research & Service Foundation, Inc.
- Foundation Properties, Inc.

The following organizations have a Fiscal Year End of December 31, 2017:

- Armstrong State University Educational Properties Foundation, Inc & Subsidiaries
- College of Coastal Georgia Foundation, Inc.
- Dalton State College Foundation, Inc.
- Global Center for Medical Innovation
- Gordon State College Foundation, Inc. & Subsidiaries
- Middle Georgia State University Foundation, Inc. & Subsidiaries
- Valdosta State University Foundation, Inc.
- VSU Auxiliary Services Real Estate Foundation, Inc.
- Walter & Emilie Spivey Foundation

The following organization has a Fiscal Year End of March 31, 2018:

- Dalton State College Athletic Club

As of the release of this report, financial statements were not available for the following organizations. Balances from a prior year are reported as indicated below.

- Fort Valley State University Foundation, Inc. reported fiscal year 2017 balances.
- Gordon State College Foundation, Inc. & Subsidiaries reported fiscal year 2017 balances.
- Southern Polytechnic Applied Research Corporation reported fiscal year 2016 balances.



UNIVERSITY SYSTEM OF GEORGIA

**UNIVERSITY SYSTEM OF GEORGIA
 BALANCE SHEET (NON-GAAP BASIS)
 BUDGET FUNDS
 JUNE 30, 2018
 (Unaudited)**

ASSETS

Cash and Cash Equivalents	\$	803,536,360.14
Investments		94,085,598.11
Accounts Receivable		
Federal Financial Assistance		171,009,392.96
Other		251,140,854.65
Prepaid Expenditures		21,123,595.25
Inventories		5,352,353.31
Other Assets		11,317,775.43
		<hr/>
Total Assets	\$	<u>1,357,565,929.85</u>

LIABILITIES AND FUND EQUITY

Liabilities

Accounts Payable	\$	126,574,481.22
Encumbrances Payable		380,884,961.46
Salaries Payable		21,485,992.25
Deferred Revenue		260,113,462.79
Other Liabilities		3,902,753.60
		<hr/>
Total Liabilities		792,961,651.32

Fund Balances

Reserved		
Capital Outlay		9,661,050.44
Department Sales and Services		122,868,714.79
Indirect Cost Recoveries		169,661,411.47
Technology Fees		29,493,955.59
Restricted/Sponsored Funds		150,518,598.28
Uncollectible Accounts Receivable		25,619,774.96
Inventories		3,061,893.17
Tuition Carry - Forward		41,680,322.88
Property Reserves		8,787,111.43
Surplus		3,251,445.52
		<hr/>
Total Fund Balances		564,604,278.53

Total Liabilities and Fund Balances	\$	<u>1,357,565,929.85</u>
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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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Appropriation	Amended Appropriation	Final Budget	Funds Available Compared to Budget	
				Current Year Revenues	Prior Year Reserve Carry-Over
Regents, University System of Georgia					
Agricultural Experiment Station					
State Appropriation					
State General Funds	\$ 45,107,031.00	\$ 45,107,031.00	\$ 45,107,031.00	\$ 45,107,031.00	\$ —
Other Funds	37,552,919.00	37,552,919.00	62,539,004.00	54,800,642.37	22,722,323.01
Total Agricultural Experiment Station	82,659,950.00	82,659,950.00	107,646,035.00	99,907,673.37	22,722,323.01
Athens and Tifton Vet Laboratories					
State Appropriation					
Other Funds	6,511,331.00	6,609,688.00	7,547,227.00	7,191,026.46	794,214.26
Cooperative Extension Service					
State Appropriation					
State General Funds	39,842,725.00	39,907,321.00	39,907,321.00	39,907,321.00	—
Other Funds	31,333,929.00	31,333,929.00	43,608,198.00	37,536,989.22	6,165,980.18
Total Cooperative Extension Service	71,176,654.00	71,241,250.00	83,515,519.00	77,444,310.22	6,165,980.18
Enterprise Innovation Institute					
State Appropriation					
State General Funds	19,510,493.00	19,510,493.00	19,510,493.00	19,510,493.00	—
Other Funds	10,900,000.00	10,900,000.00	15,907,214.00	13,456,932.77	74,226.36
Total Enterprise Innovation Institute	30,410,493.00	30,410,493.00	35,417,707.00	32,967,425.77	74,226.36
Forestry Cooperative Extension					
State Appropriation					
State General Funds	983,248.00	983,248.00	983,248.00	983,248.00	—
Other Funds	575,988.00	575,988.00	766,153.00	584,497.54	235,485.58
Total Forestry Cooperative Extension	1,559,236.00	1,559,236.00	1,749,401.00	1,567,745.54	235,485.58
Forestry Research					
State Appropriation					
State General Funds	2,908,323.00	2,908,323.00	2,908,323.00	2,908,323.00	—
Other Funds	10,250,426.00	10,250,426.00	11,361,032.00	10,621,451.52	2,444,319.31
Total Forestry Research	13,158,749.00	13,158,749.00	14,269,355.00	13,529,774.52	2,444,319.31
Georgia Archives					
State Appropriation					
State General Funds	4,720,507.00	4,720,507.00	4,720,507.00	4,720,507.00	—
Other Funds	894,417.00	883,030.00	1,388,695.00	834,901.97	1,161,082.52
Total Georgia Archives	5,614,924.00	5,603,537.00	6,109,202.00	5,555,408.97	1,161,082.52
Georgia Radiation Therapy Center					
Other Funds	\$ 4,236,754.00	\$ —	\$ —	\$ —	\$ —

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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Current Year Actual	Variance Positive (Negative)	
Regents, University System of Georgia						
Agricultural Experiment Station						
State Appropriation						
State General Funds	\$ —	\$ 45,107,031.00	\$ —	\$ 45,107,031.00	\$ —	\$ —
Other Funds	—	77,522,965.38	14,983,961.38	52,421,494.18	10,117,509.82	25,101,471.20
Total Agricultural Experiment Station	—	122,629,996.38	14,983,961.38	97,528,525.18	10,117,509.82	25,101,471.20
Athens and Tifton Veterinary Laboratories						
State Appropriation						
State General Funds	—	—	—	—	—	—
Other Funds	—	7,985,240.72	438,013.72	6,998,242.69	548,984.31	986,998.03
Cooperative Extension Service						
State Appropriation						
State General Funds	—	39,907,321.00	—	39,907,321.00	—	—
Other Funds	—	43,702,969.40	94,771.40	37,040,395.47	6,567,802.53	6,662,573.93
Total Cooperative Extension Service	—	83,610,290.40	94,771.40	76,947,716.47	6,567,802.53	6,662,573.93
Enterprise Innovation Institute						
State Appropriation						
State General Funds	—	19,510,493.00	—	19,510,492.72	0.28	0.28
Other Funds	—	13,531,159.13	(2,376,054.87)	13,300,664.49	2,606,549.51	230,494.64
Total Enterprise Innovation Institute	—	33,041,652.13	(2,376,054.87)	32,811,157.21	2,606,549.79	230,494.92
Forestry Cooperative Extension						
State Appropriation						
State General Funds	—	983,248.00	—	983,248.00	—	—
Other Funds	—	819,983.12	53,830.12	520,653.97	245,499.03	299,329.15
Total Forestry Cooperative Extension	—	1,803,231.12	53,830.12	1,503,901.97	245,499.03	299,329.15
Forestry Research						
State Appropriation						
State General Funds	—	2,908,323.00	—	2,908,323.00	—	—
Other Funds	—	13,065,770.83	1,704,738.83	10,519,857.39	841,174.61	2,545,913.44
Total Forestry Research	—	15,974,093.83	1,704,738.83	13,428,180.39	841,174.61	2,545,913.44
Georgia Archives						
State Appropriation						
State General Funds	—	4,720,507.00	—	4,720,507.00	—	—
Other Funds	—	1,995,984.49	607,289.49	1,281,507.18	107,187.82	714,477.31
Total Georgia Archives	—	6,716,491.49	607,289.49	6,002,014.18	107,187.82	714,477.31
Georgia Radiation Therapy Center						
State Appropriation						
Other Funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Regents, University System of Georgia	Original Appropriation	Amended Appropriation	Final Budget	Funds Available Compared to Budget	
				Current Year Revenues	Prior Year Reserve Carry-Over
Georgia Research Alliance					
State General Funds	\$ 5,105,243.00	\$ 5,105,243.00	\$ 5,105,243.00	\$ 5,105,243.00	\$ —
Georgia Tech Research Institute					
State Appropriation					
State General Funds	6,072,039.00	6,072,039.00	6,072,039.00	6,072,039.00	—
Other Funds	406,225,535.00	406,225,535.00	447,121,250.00	442,027,951.05	2,897,850.88
Total Georgia Tech Research Institute	412,297,574.00	412,297,574.00	453,193,289.00	448,099,990.05	2,897,850.88
Marine Institute					
State Appropriation					
State General Funds	993,619.00	993,619.00	993,619.00	993,619.00	—
Other Funds	486,281.00	486,281.00	645,445.00	430,656.06	509,575.37
Total Marine Institute	1,479,900.00	1,479,900.00	1,639,064.00	1,424,275.06	509,575.37
Marine Resources Extension Center					
State Appropriation					
State General Funds	1,522,189.00	1,522,189.00	1,522,189.00	1,522,189.00	—
Other Funds	1,345,529.00	1,345,529.00	1,770,529.00	1,317,637.94	191,277.40
Total Marine Resources Extension Center	2,867,718.00	2,867,718.00	3,292,718.00	2,839,826.94	191,277.40
Medical College of Georgia Hospital and Clinics					
State Appropriation					
State General Funds	30,392,211.00	30,392,211.00	30,392,211.00	30,392,211.00	—
Public Libraries					
State Appropriation					
State General Funds	37,205,936.00	37,205,936.00	37,205,936.00	37,205,936.00	—
Other Funds	4,638,252.00	4,287,961.00	4,776,586.00	4,435,813.22	—
Total Public Libraries	41,844,188.00	41,493,897.00	41,982,522.00	41,641,749.22	—
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	24,997,015.00	35,072,015.00	35,072,015.00	35,072,015.00	—
State Funds - Prior Year Carry-Over					
State General Funds - Prior Year	—	—	3,700,782.00	—	3,700,782.22
Other Funds	—	—	—	—	—
Total Public Service / Special Funding Initiatives	24,997,015.00	35,072,015.00	38,772,797.00	35,072,015.00	3,700,782.22
Regents Central Office					
State Appropriation					
State General Funds	12,250,625.00	12,270,277.00	12,270,277.00	12,270,277.00	—
Other Funds	—	—	410,000.00	783,318.41	4,249,708.52
Total Regents Central Office	\$ 12,250,625.00	\$ 12,270,277.00	\$ 12,680,277.00	\$ 13,053,595.41	\$ 4,249,708.52

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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers of Adjustments	Total Funds Available	Variance Positive (Negative)	Current Year Actual	Variance Positive (Negative)	
Regents, University System of Georgia						
Georgia Research Alliance						
State General Funds	\$ —	\$ 5,105,243.00	\$ —	\$ 5,105,243.00	\$ —	\$ —
Georgia Tech Research Institute						
State Appropriation						
State General Funds	—	6,072,039.00	—	6,072,039.00	—	—
Other Funds	—	444,925,801.93	(2,195,448.07)	442,630,335.15	4,490,914.85	2,295,466.78
Total Georgia Tech Research Institute	—	450,997,840.93	(2,195,448.07)	448,702,374.15	4,490,914.85	2,295,466.78
Marine Institute						
State Appropriation						
State General Funds	—	993,619.00	—	993,619.00	—	—
Other Funds	—	940,231.43	294,786.43	200,037.02	445,407.98	740,194.41
Total Marine Institute	—	1,933,850.43	294,786.43	1,193,656.02	445,407.98	740,194.41
Marine Resources Extension Center						
State Appropriation						
State General Funds	—	1,522,189.00	—	1,522,189.00	—	—
Other Funds	—	1,508,915.34	(261,613.66)	1,221,937.97	548,591.03	286,977.37
Total Marine Resources Extension Center	—	3,031,104.34	(261,613.66)	2,744,126.97	548,591.03	286,977.37
Medical College of Georgia Hospital and Clinics						
State Appropriation						
State General Funds	—	30,392,211.00	—	30,392,211.00	—	—
Public Libraries/Special Funding Initiatives						
State Appropriation						
State General Funds	—	37,205,936.00	—	37,175,885.39	30,050.61	30,050.61
Other Funds	—	4,435,813.22	(340,772.78)	4,435,813.22	340,772.78	—
Total Public Libraries	—	41,641,749.22	(340,772.78)	41,611,698.61	370,823.39	30,050.61
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	—	35,072,015.00	—	35,069,611.10	2,403.90	2,403.90
State Funds - Prior Year Carry-Over						
State General Funds - Prior Year		3,700,782.22	0.22	963,019.85	2,737,762.15	2,737,762.37
Other Funds	—	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	38,772,797.22	0.22	36,032,630.95	2,740,166.05	2,740,166.27
Regents Central Office						
State Appropriation						
State General Funds	—	12,270,277.00	—	12,255,864.40	14,412.60	14,412.60
Other Funds	—	5,033,026.93	4,623,026.93	320,378.44	89,621.56	4,712,648.49
Total Regents Central Office	\$ —	\$ 17,303,303.93	\$ 4,623,026.93	\$ 12,576,242.84	\$ 104,034.16	\$ 4,727,061.09

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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Appropriation	Amended Appropriation	Final Budget	Funds Available Compared to Budget	
				Current Year Revenues	Prior Year Reserve Carry-Over
Regents, University System of Georgia					
Skidaway Institute of Oceanography					
State Appropriation					
State General Funds	\$ 1,388,024.00	\$ 1,388,024.00	\$ 1,388,024.00	\$ 1,388,024.00	\$ —
Other Funds	3,800,620.00	3,900,620.00	5,837,676.00	4,912,056.96	800,508.69
Total Skidaway Institute of Oceanography	5,188,644.00	5,288,644.00	7,225,700.00	6,300,080.96	800,508.69
Teaching					
State Appropriation					
State General Funds	2,047,001,762.00	2,049,128,886.00	2,049,128,886.00	2,049,128,886.00	—
Other Funds	4,689,257,707.00	4,857,951,814.00	5,472,694,420.00	4,888,920,085.41	436,508,337.75
Total Teaching	6,736,259,469.00	6,907,080,700.00	7,521,823,306.00	6,938,048,971.41	436,508,337.75
Veterinary Medicine Experiment Station					
State Appropriation					
State General Funds	3,209,528.00	2,989,260.00	2,989,260.00	2,989,260.00	—
Veterinary Medicine Teaching Hospital					
State Appropriation					
State General Funds	465,826.00	465,826.00	465,826.00	465,826.00	—
Other Funds	17,000,000.00	17,750,000.00	20,095,851.00	19,211,000.96	2,345,851.19
Total Veterinary Medicine Teaching Hospital	17,465,826.00	18,215,826.00	20,561,677.00	19,676,826.96	2,345,851.19
Agencies Attached for Administrative Purposes					
Payments to Georgia Military College					
State Appropriation					
State General Funds	6,162,608.00	6,176,766.00	6,176,766.00	6,176,766.00	—
Payments to Public Telecommunications Commission					
State Appropriation					
State General Funds	15,247,024.00	15,251,668.00	15,251,668.00	15,251,668.00	—
Total Operating Activity	\$ 7,530,095,664.00	\$ 7,707,224,602.00	\$ 8,417,340,944.00	\$ 7,804,235,843.86	\$ 484,801,523.24

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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Current Year Actual	Variance Positive (Negative)	
Regents, University System of Georgia						
Skidaway Institute of Oceanography						
State Appropriation						
State General Funds	\$ —	\$ 1,388,024.00	\$ —	\$ 1,388,024.00	\$ —	\$ —
Other Funds	—	5,712,565.65	(125,110.35)	4,238,225.80	1,599,450.20	1,474,339.85
Total Skidaway Institute of Oceanography	—	7,100,589.65	(125,110.35)	5,626,249.80	1,599,450.20	1,474,339.85
Teaching						
State Appropriation						
State General Funds	—	2,049,128,886.00	—	2,049,057,484.83	71,401.17	71,401.17
Other Funds	5,789,972.99	5,331,218,396.15	(141,476,023.85)	4,847,725,215.33	624,969,204.67	483,493,180.82
Total Teaching	5,789,972.99	7,380,347,282.15	(141,476,023.85)	6,896,782,700.16	625,040,605.84	483,564,581.99
Veterinary Medicine Experiment Station						
State Appropriation						
State General Funds	—	2,989,260.00	—	2,989,260.00	—	—
Veterinary Medicine Teaching Hospital						
State Appropriation						
State General Funds	—	465,826.00	—	465,826.00	—	—
Other Funds	—	21,556,852.15	1,461,001.15	18,239,134.08	1,856,716.92	3,317,718.07
Total Veterinary Medicine Teaching Hospital	—	22,022,678.15	1,461,001.15	18,704,960.08	1,856,716.92	3,317,718.07
Agencies Attached for Administrative Purposes						
Payments to Georgia Military College						
State Appropriation						
State General Funds	—	6,176,766.00	—	6,176,766.00	—	—
Payments to Public Telecommunications Commission						
State Appropriation						
State General Funds	—	15,251,668.00	—	15,251,668.00	—	—
Total Operating Activity	\$ 5,789,972.99	\$ 8,294,827,340.09	\$ (122,513,603.91)	\$ 7,759,109,525.67	\$ 658,231,418.33	\$ 535,717,814.42

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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Year Adjustments	Other Adjustments
Regents, University System of Georgia					
Agricultural Experiment Station					
State Appropriation					
State General Funds	\$ 32,382.13	\$ —	\$ (32,382.13)	\$ 121,331.98	\$ —
Other Funds	22,722,323.01	(22,722,323.01)	—	23,955.70	122.56
Total Agricultural Experiment Station	22,754,705.14	(22,722,323.01)	(32,382.13)	145,287.68	122.56
Athens and Tifton Vet Laboratories					
Other Funds	794,214.26	(794,214.26)	—	5,668.92	—
Cooperative Extension Service					
State Appropriation					
State General Funds	21,442.08	—	(21,442.08)	67,183.09	—
Other Funds	6,165,980.18	(6,165,980.18)	—	35,488.56	—
Total Cooperative Extension Service	6,187,422.26	(6,165,980.18)	(21,442.08)	102,671.65	—
Enterprise Innovation Institute					
State Appropriation					
State General Funds	—	—	—	—	—
Other Funds	74,226.36	(74,226.36)	—	—	2,956.84
Total Enterprise Innovation Institute	74,226.36	(74,226.36)	—	—	2,956.84
Forestry Cooperative Extension					
State Appropriation					
State General Funds	516.24	—	(516.24)	503.78	—
Other Funds	235,485.58	(235,485.58)	—	342.67	—
Total Forestry Cooperative Extension	236,001.82	(235,485.58)	(516.24)	846.45	—
Forestry Research					
State Appropriation					
State General Funds	2,488.79	—	(2,488.79)	11,157.04	—
Other Funds	2,444,319.31	(2,444,319.31)	—	18,558.15	—
Total Forestry Research	2,446,808.10	(2,444,319.31)	(2,488.79)	29,715.19	—
Georgia Archives					
State Appropriation					
State General Funds	11.15	—	(11.15)	5,653.71	—
Other Funds	1,162,607.49	(1,161,082.52)	(1,524.97)	1,399.74	23,384.40
Total Georgia Archives	1,162,618.64	(1,161,082.52)	(1,536.12)	7,053.45	23,384.40
Georgia Radiation Therapy Center					
Other Funds	\$ —	\$ —	\$ —	\$ —	\$ —

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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Regents, University System of Georgia</u>	Early Return of Fiscal Year 2018 Surplus	Excess (Deficiency) of Funds Available Over/Under Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Agricultural Experiment Station						
State Appropriation						
State General Funds	\$ —	\$ —	\$ 121,331.98	\$ —	\$ 121,331.98	\$ 121,331.98
Other Funds	—	25,101,471.20	25,125,549.46	25,125,549.46	—	25,125,549.46
Total Agricultural Experiment Station	—	25,101,471.20	25,246,881.44	25,125,549.46	121,331.98	25,246,881.44
Athens and Tifton Vet Laboratories						
Other Funds	—	986,998.03	992,666.95	992,666.95	—	992,666.95
Cooperative Extension Service						
State Appropriation						
State General Funds	—	—	67,183.09	—	67,183.09	67,183.09
Other Funds	—	6,662,573.93	6,698,062.49	6,698,062.49	—	6,698,062.49
Total Cooperative Extension Service	—	6,662,573.93	6,765,245.58	6,698,062.49	67,183.09	6,765,245.58
Enterprise Innovation Institute						
State Appropriation						
State General Funds	—	0.28	0.28	—	0.28	0.28
Other Funds	—	230,494.64	233,451.48	233,451.48	—	233,451.48
Total Enterprise Innovation Institute	—	230,494.92	233,451.76	233,451.48	0.28	233,451.76
Forestry Cooperative Extension						
State Appropriation						
State General Funds	—	—	503.78	—	503.78	503.78
Other Funds	—	299,329.15	299,671.82	299,671.82	—	299,671.82
Total Forestry Cooperative Extension	—	299,329.15	300,175.60	299,671.82	503.78	300,175.60
Forestry Research						
State Appropriation						
State General Funds	—	—	11,157.04	—	11,157.04	11,157.04
Other Funds	—	2,545,913.44	2,564,471.59	2,564,471.59	—	2,564,471.59
Total Forestry Research	—	2,545,913.44	2,575,628.63	2,564,471.59	11,157.04	2,575,628.63
Georgia Archives						
State Appropriation						
State General Funds	—	—	5,653.71	—	5,653.71	5,653.71
Other Funds	—	714,477.31	739,261.45	737,846.71	1,414.74	739,261.45
Total Georgia Archives	—	714,477.31	744,915.16	737,846.71	7,068.45	744,915.16
Georgia Radiation Therapy Center						
Other Funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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 special purpose framework.

**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Year Adjustments	Other Adjustments
Regents, University System of Georgia					
Georgia Research Alliance					
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —
Georgia Tech Research Institute					
State Appropriation					
State General Funds	108.51	—	(108.51)	275.68	—
Other Funds	2,897,850.88	(2,897,850.88)	—	—	—
Total Georgia Tech Research Institute	2,897,959.39	(2,897,850.88)	(108.51)	275.68	—
Marine Institute					
State Appropriation					
State General Funds	1,086.19	—	(1,086.19)	—	—
Other Funds	509,575.37	(509,575.37)	—	—	—
Total Marine Institute	510,661.56	(509,575.37)	(1,086.19)	—	—
Marine Resources Extension Center					
State Appropriation					
State General Funds	554.45	—	(554.45)	5,255.66	—
Other Funds	191,277.40	(191,277.40)	—	1,226.50	—
Total Marine Resources Extension Center	191,831.85	(191,277.40)	(554.45)	6,482.16	—
Medical College of Georgia Hospital and Clinics					
State Appropriation					
State General Funds	—	—	—	29,016.00	—
Public Libraries					
State Appropriation					
State General Funds	3,797.58	—	(3,797.58)	2,979.23	—
Other Funds	—	—	—	—	—
Total Public Libraries	3,797.58	—	(3,797.58)	2,979.23	—
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	55.74	—	(55.74)	24,169.85	—
State Funds - Prior Year Carry-over					
State General Funds - Prior Year	3,769,770.18	(3,700,782.22)	(68,987.96)	16,847.11	—
Other Funds	—	—	—	—	—
Total Public Service / Special Funding Initiatives	3,769,825.92	(3,700,782.22)	(69,043.70)	41,016.96	—
Regents Central Office					
State Appropriation					
State General Funds	34,609.23	—	(34,609.23)	62,415.53	—
Other Funds	4,249,708.52	(4,249,708.52)	—	—	—
Total Regents Central Office	\$ 4,284,317.75	\$ (4,249,708.52)	\$ (34,609.23)	\$ 62,415.53	\$ —

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**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Regents, University System of Georgia	Early Return of Fiscal Year 2018 Surplus	Excess (Deficiency) of Funds Available Over/Under Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Georgia Research Alliance						
State General Funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Georgia Tech Research Institute						
State Appropriation						
State General Funds	—	—	275.68	—	275.68	275.68
Other Funds	—	2,295,466.78	2,295,466.78	2,295,466.78	—	2,295,466.78
Total Georgia Tech Research Institute	—	2,295,466.78	2,295,742.46	2,295,466.78	275.68	2,295,742.46
Marine Institute						
State Appropriation						
State General Funds	—	—	—	—	—	—
Other Funds	—	740,194.41	740,194.41	740,194.41	—	740,194.41
Total Marine Institute	—	740,194.41	740,194.41	740,194.41	—	740,194.41
Marine Resources Extension Center						
State Appropriation						
State General Funds	—	—	5,255.66	—	5,255.66	5,255.66
Other Funds	—	286,977.37	288,203.87	288,203.87	—	288,203.87
Total Marine Resources Extension Center	—	286,977.37	293,459.53	288,203.87	5,255.66	293,459.53
Medical College of Georgia Hospital and Clinics						
State Appropriation						
State General Funds	—	—	29,016.00	—	29,016.00	29,016.00
Public Libraries						
State Appropriation						
State General Funds	—	30,050.61	33,029.84	—	33,029.84	33,029.84
Other Funds	—	—	—	—	—	—
Total Public Libraries	—	30,050.61	33,029.84	—	33,029.84	33,029.84
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	—	2,403.90	26,573.75	—	26,573.75	26,573.75
State Funds - Prior-Year Carry-over						
State General Funds - Prior Year	—	2,737,762.37	2,754,609.48	1,737,762.15	1,016,847.33	2,754,609.48
Other Funds	—	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	2,740,166.27	2,781,183.23	1,737,762.15	1,043,421.08	2,781,183.23
Regents Central Office						
State Appropriation						
State General Funds	—	14,412.60	76,828.13	—	76,828.13	76,828.13
Other Funds	—	4,712,648.49	4,712,648.49	4,712,648.49	—	4,712,648.49
Total Regents Central Office	\$ —	\$ 4,727,061.09	\$ 4,789,476.62	\$ 4,712,648.49	\$ 76,828.13	\$ 4,789,476.62

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**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2017 Surplus	Prior Year Adjustments	Other Adjustments
Regents, University System of Georgia					
Skidaway Institute of Oceanography					
State Appropriation					
State General Funds	\$ 6,732.93	\$ —	\$ (6,732.93)	\$ 2,987.90	\$ —
Other Funds	800,508.69	(800,508.69)	—	3,566.12	—
Total Skidaway Institute of Oceanography	807,241.62	(800,508.69)	(6,732.93)	6,554.02	—
Teaching					
State Appropriation					
State General Funds	1,216,864.48	—	(1,216,864.48)	1,379,047.64	(14,281.06)
Other Funds	437,795,496.85	(436,508,337.75)	(1,287,159.10)	(76,785.69)	(1,448,500.74)
Total Teaching	439,012,361.33	(436,508,337.75)	(2,504,023.58)	1,302,261.95	(1,462,781.80)
Veterinary Medicine Experiment Station					
State Appropriation					
State General Funds	893.15	—	(893.15)	3,640.84	—
Veterinary Medicine Teaching Hospital					
State Appropriation					
State General Funds	—	—	—	—	—
Other Funds	2,345,851.19	(2,345,851.19)	—	46,892.04	(151,663.77)
Total Veterinary Medicine Teaching Hospital	2,345,851.19	(2,345,851.19)	—	46,892.04	(151,663.77)
Agencies Attached for Administrative Purposes					
Payments to Georgia Military College					
State Appropriation					
State General Funds	—	—	—	—	—
Payments to Public Telecommunications Commission					
State Appropriation					
State General Funds	—	—	—	—	—
Total Operating Activity	487,480,738.92	(484,801,523.24)	(2,679,214.68)	1,792,777.75	(1,587,981.77)
Prior Year Reserves					
Not Available for Expenditure					
Inventories	3,351,370.34	—	—	—	(289,477.17)
Uncollectible Accounts Receivable	23,742,316.02	—	—	—	1,877,458.94
Budget Unit Totals	\$ 514,574,425.28	\$ (484,801,523.24)	\$ (2,679,214.68)	\$ 1,792,777.75	\$ —

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**UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE (Unaudited)
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Regents, University System of Georgia	Early Return of Fiscal Year 2018 Surplus	Excess (Deficiency) of Funds Available Over/Under Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Skidaway Institute of Oceanography						
State Appropriation						
State General Funds	\$ —	\$ —	\$ 2,987.90	\$ —	\$ 2,987.90	\$ 2,987.90
Other Funds	—	1,474,339.85	1,477,905.97	1,477,905.97	—	1,477,905.97
Total Skidaway Institute of Oceanography	—	1,474,339.85	1,480,893.87	1,477,905.97	2,987.90	1,480,893.87
Teaching						
State Appropriation						
State General Funds	—	71,401.17	1,436,167.75	—	1,436,167.75	1,436,167.75
Other Funds	—	483,493,180.82	481,967,894.39	481,554,316.37	413,578.02	481,967,894.39
Total Teaching	—	483,564,581.99	483,404,062.14	481,554,316.37	1,849,745.77	483,404,062.14
Veterinary Medicine Experiment Station						
State Appropriation						
State General Funds	—	—	3,640.84	—	3,640.84	3,640.84
Veterinary Medicine Teaching Hospital						
State Appropriation						
State General Funds	—	—	—	—	—	—
Other Funds	—	3,317,718.07	3,212,946.34	3,212,946.34	—	3,212,946.34
Total Veterinary Medicine Teaching Hospital	—	3,317,718.07	3,212,946.34	3,212,946.34	—	3,212,946.34
Agencies Attached for Administrative Purposes						
Payments to Georgia Military College						
State Appropriation						
State General Funds	—	—	—	—	—	—
Payments to Public Telecommunications Commission						
State Appropriation						
State General Funds	—	—	—	—	—	—
Total Operating Activity	—	535,717,814.42	535,922,610.40	532,671,164.88	3,251,445.52	535,922,610.40
Prior Year Reserve						
Not Available for Expenditure						
Inventories	—	—	3,061,893.17	3,061,893.17	—	3,061,893.17
Uncollectible Accounts Receivable	—	—	25,619,774.96	25,619,774.96	—	25,619,774.96
Budget Unit Totals	\$ —	\$ 535,717,814.42	\$ 564,604,278.53	\$ 561,352,833.01	\$ 3,251,445.52	\$ 564,604,278.53

Summary of Ending Fund Balance

Reserved		
Inventories	\$ 3,061,893.17	\$ 3,061,893.17
Other Reserves		
Colleges and Universities	558,290,939.84	558,290,939.84
Unreserved, Undesignated		
Surplus	\$ 3,251,445.52	\$ 3,251,445.52
	<u>\$ 561,352,833.01</u>	<u>\$ 564,604,278.53</u>

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USG.EDU

270 Washington Street, SW
Atlanta, GA 30334
404.962.3049

