NEW ISSUE/BOOK-ENTRY ONLY **Ratings: S&P: A–**

*Assuming compliance with certain covenants and subject to the qualifications described under "**TAX MATTERS**" herein, in the opinion of Bond Counsel, under current law, interest on the Series 2014 Bonds (a) will not be included in gross income of owners of the Series 2014 Bonds for federal income tax purposes and (b) will not be treated as a specific item of tax preference in computing the federal alternative minimum income tax for individuals and corporations. Such interest is, however, taken into account in determining adjusted current earnings when calculating corporate alternative minimum taxable income. Recipients of such interest may also be subject to other federal income tax consequences as described under "**TAX MATTERS**" herein. In the opinion of Bond Counsel, under existing laws of the Commonwealth of Virginia, interest on the Series 2014 Bonds is not subject to Virginia income taxation.*

$115,090,000
VIRGINIA SMALL BUSINESS FINANCING AUTHORITY
Refunding Revenue Bonds
(Hampton University)
Series 2014

Dated: Date of Issuance **Due: October 1, as shown on inside cover**

The Series 2014 Bonds will be limited obligations of the Virginia Small Business Financing Authority (the "Issuer"), will be issued under and secured by the provisions of a Trust Indenture, dated as of November 1, 2014 (the "Indenture"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and will be payable solely from and secured by pledges of amounts payable under the Loan Agreement (as defined below) and a promissory note (the "Series 2014 Note") of Hampton University, a nonprofit institute of higher education within the Commonwealth of Virginia and a corporation duly organized and validly existing under the laws thereof (the "University"). The Issuer will lend the proceeds of the sale of the Series 2014 Bonds to the University pursuant to a Loan Agreement dated as of November 1, 2014 (the "Loan Agreement"), between the Issuer and the University. The proceeds of the Series 2014 Bonds will be used by the University to (a) pay the cost of refunding the Issuer's (i) $70,000,000 Variable Rate Revenue Bonds (Hampton University), Series 2008A (the "Series 2008A Bonds"), and (ii) $50,000,000 Revenue Bond (Hampton University Project), Series 2009; (b) pay the termination payment on an interest rate swap agreement relating to the Series 2008A Bonds; and (c) finance costs of issuance for the Series 2014 Bonds.

THE SERIES 2014 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES AND RECEIPTS DERIVED FROM PAYMENTS MADE BY THE UNIVERSITY UNDER THE LOAN AGREEMENT AND THE SERIES 2014 NOTE, WHICH REVENUES AND RECEIPTS AND SECURITY HAVE BEEN PLEDGED AND ASSIGNED TO THE TRUSTEE TO SECURE PAYMENT OF THE SERIES 2014 BONDS IN THE MANNER AND TO THE EXTENT DESCRIBED IN THE LOAN AGREEMENT AND IN THE INDENTURE. THE SERIES 2014 BONDS ARE NOT A DEBT OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH OF VIRGINIA, NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS OR OTHER COSTS INCIDENT THERETO AND THE OBLIGATION OF THE ISSUER TO PAY IS LIMITED TO THE REVENUES DESCRIBED ABOVE. IN NO EVENT SHALL THE SERIES 2014 BONDS CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT RESTRICTION. NO OFFICER OR DIRECTOR OF THE ISSUER SHALL BE PERSONALLY LIABLE ON THE LOAN AGREEMENT.

The Series 2014 Bonds will be issued as fully registered Series 2014 Bonds in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2014 Bonds is payable semi-annually on April 1 and October 1, beginning on April 1, 2015. The Series 2014 Bonds mature at the times and in the amounts shown on the inside cover hereof.

The Series 2014 Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner and as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2014 Bonds. Purchases of Series 2014 Bonds may be made only in book-entry form through DTC Direct and Indirect Participants, and no physical delivery of the Series 2014 Bonds will be made to their Beneficial Owners (as defined herein), except as herein described. So long as Cede & Co. is the registered owner of the Series 2014 Bonds, references herein to the registered owners of the Series 2014 Bonds mean Cede & Co. and not their Beneficial Owners. Interest on the Series 2014 Bonds, together with principal thereof and any premium thereon, will be paid by the Trustee to Cede & Co. so long as Cede & Co. is their registered owner. DTC is responsible for the disbursement of those payments to DTC Participants, and DTC Participants are responsible for the disbursement of those payments to Beneficial Owners. See "**BOOK-ENTRY ONLY SYSTEM**" herein.

This cover contains information for quick reference only. Investors must read this entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.

The Series 2014 Bonds are offered subject to prior sale, when, as and if issued by the Issuer and accepted by the Underwriters subject to the approval of Kaufman & Canoles, a Professional Corporation, Bond Counsel, and to certain other conditions. Certain legal matters will also be passed upon for the Underwriters by Bryant Miller Olive P.C., Washington, D.C.; for the University by Faye Hardy-Lucas, Esquire, general counsel, and by Kaufman & Canoles, a Professional Corporation, special counsel; and for the Issuer by the Office of the Attorney General of the Commonwealth of Virginia, Richmond, Virginia. It is expected that the Series 2014 Bonds will be available for delivery through the facilities of DTC on or about November 26, 2014.

Rice Financial Products Company

PNC Capital Markets LLC **SunTrust Robinson Humphrey**

Dated: November 19, 2014

MATURITY SCHEDULE

$115,090,000
Virginia Small Business Financing Authority
Refunding Revenue Bonds
(Hampton University),
Series 2014

$34,375,000 Serial Bonds

Due (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2015	$ 2,880,000	3.000%	0.580%	102.041	928104 LP1
2016	2,940,000	3.000	0.910	103.819	928104 LQ9
2017	3,050,000	5.000	1.200	110.603	928104 LR7
2018	3,185,000	5.000	1.490	113.074	928104 LS5
2019	3,325,000	5.000	1.790	114.837	928104 LT3
2020	3,470,000	5.000	2.120	115.756	928104 LU0
2021	3,630,000	5.000	2.440	116.049	928104 LV8
2022	3,795,000	5.000	2.680	116.317	928104 LW6
2023	3,960,000	5.000	2.860	116.619	928104 LX4
2024	4,140,000	5.000	2.980	117.125	928104 LY2

$23,875,000 5.250% Term Bond Due October 1, 2029 Yield 3.420% Price 115.186* - CUSIP 928104 LZ9

$56,840,000 4.000% Term Bond Due October 1, 2038 Yield 4.140% Price 97.886 - CUSIP 928104 MA3

* Priced to the first optional redemption date, October 1, 2024.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2014 Bonds identified on the cover. No person has been authorized by the Virginia Small Business Financing Authority (the "Issuer"), or Hampton University (the "University"), or Rice Financial Products Company, Inc., as representative of a group of underwriters including itself, PNC Capital Markets LLC and SunTrust Robinson Humphrey, Inc. (collectively, the "Underwriters") to give any information or to make any representation with respect to the Series 2014 Bonds other than as contained in this Official Statement. Any other information or representation should not be relied upon as having been given or authorized by the Issuer, the University, or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2014 Bonds, by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement has been approved, and its use and distribution for the purposes of offering and selling the Series 2014 Bonds have been authorized, by the University and the Issuer. The information set forth herein has been obtained from the Issuer, the University, The Depository Trust Company ("DTC") and other sources that are believed to be reliable. Except for the information set forth herein under **"THE ISSUER"** and **"LITIGATION"** (but only as it relates to the Issuer), the Issuer has not confirmed, and does not assume any responsibility for, the accuracy, sufficiency, completeness or fairness of any statements in this Official Statement.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change since the date of this Official Statement in the affairs of the Issuer, the University, or DTC.

NEITHER THE SERIES 2014 BONDS NOR ANY OTHER SECURITY RELATING TO THE SERIES 2014 BONDS HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NO TRUST INDENTURE HAS BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN THOSE ACTS. THOSE EXEMPTIONS FROM REGISTRATION AND FROM QUALIFICATION UNDER APPLICABLE PROVISIONS OF FEDERAL OR STATE SECURITIES LAWS SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NO STATE OR ANY AGENCY THEREOF HAS PASSED UPON THE MERITS OF THE SERIES 2014 BONDS OR ANY RELATED SECURITY OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include, among others, certain of the information in **"BONDHOLDERS' RISKS"** herein and various portions of **APPENDIX A** hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE UNIVERSITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS CHANGE OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR.

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Virginia Small Business Financing Authority
Refunding Revenue Bonds
(Hampton University)
Series 2014

INTRODUCTORY STATEMENT

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein regarding any such documents are qualified in their entirety by reference to such documents. This Introductory Statement is intended only to serve as a brief description of certain information set forth in this Official Statement and is expressly qualified by reference to the Official Statement as a whole, as well as the documents summarized or described herein. All references to this Official Statement include the cover pages and the appendices. Each capitalized word or term used as a defined term in this Official Statement, unless otherwise defined or the context otherwise requires, has the meaning assigned to it in **APPENDIX C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE INDENTURE AND THE LOAN AGREEMENT"**. For more detailed descriptions of the matters summarized below, see the information set forth in the specific sections of this Official Statement to which cross references are made.

Purpose of this Official Statement

This Official Statement sets forth information in connection with the primary offering, sale and issuance by the Virginia Small Business Financing Authority (the "Issuer") of its Refunding Revenue Bonds (Hampton University), Series 2014 (the "Series 2014 Bonds") in the principal amount of $115,090,000. The Issuer is a body politic and corporate and a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), organized under the Act. See **"THE ISSUER"** herein.

The Series 2014 Bonds will be issued pursuant to (i) a Trust Indenture dated as of November 1, 2014 (the "Indenture"), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), (ii) resolutions adopted by the Issuer on October 21, 2014 and November 18, 2014 and (iii) the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2, Code of Virginia of 1950, as amended (the "Act").

Purpose of the Series 2014 Bonds

The proceeds of the sale of the Series 2014 Bonds will be loaned by the Issuer to Hampton University (the "University") pursuant to a Loan Agreement, dated as of November 1, 2014 (the "Loan Agreement"), between the Issuer and the University. The University is a nonprofit institute of higher education within the Commonwealth and a corporation duly organized and validly existing under the laws thereof. See **"THE UNIVERSITY"** herein.

The proceeds of the Series 2014 Bonds will be used by the University to (a) pay the cost of refunding the Issuer's (i) $70,000,000 Variable Rate Revenue Bonds (Hampton University), Series 2008A (the "Series 2008A Bonds"), and (ii) $50,000,000 Revenue Bond (Hampton University Project), Series 2009 (the "Series 2009 Bond"); (b) pay the termination payment on an interest rate swap agreement relating to the Series 2008A Bonds; and (c) finance costs of issuance for the Series 2014 Bonds. The Series 2008A Bonds and the Series 2009 Bond (collectively, the "Prior Bonds") each financed costs of acquiring, constructing and equipping a proton beam cancer treatment facility located at 40 Enterprise Parkway in the City of Hampton, Virginia (the "Institute"), and the Series 2009 Bond also financed costs of certain capital improvements on the University's main campus located at 100 East Queen Street, Hampton, Virginia (the "Main Campus") (collectively, the "Facilities"). See **"PLAN OF FINANCE"** herein.

Security for the Series 2014 Bonds

The Series 2014 Bonds are limited obligations of the Issuer payable from loan payments required to be made by the University under the Loan Agreement in amounts and at such times as will be sufficient to pay in full, when due, the principal of and interest and any premium on the Series 2014 Bonds and, thereby, to repay in full the loans made by the Issuer to the University. To evidence and secure those obligations, the University will execute and deliver to the Issuer, for assignment to the Trustee under the Indenture, a promissory note (the "Series 2014 Note") issued pursuant to the Loan Agreement. The Series 2014 Note is a general obligation of the University that is not secured by any revenue pledge or security interest. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS"** herein.

Bondholders' Risks

There are risks associated with the purchase of the Series 2014 Bonds. See **"BONDHOLDERS' RISKS"** herein for a discussion of certain of these risks.

Ratings

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned a long-term rating of "A–" to the Series 2014 Bonds prior to their original delivery date. Any desired explanation of the meaning or significance of this ratings should be obtained from S&P. See **"RATINGS"** herein.

Underlying Documents

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the Indenture and the Loan Agreement are available in reasonable quantities upon request to the Trustee at the Designated Corporate Trust Office of the Trustee in Pittsburgh, Pennsylvania.

THE ISSUER

The Issuer is a political subdivision of the Commonwealth, created pursuant to the Act. The Act empowers the Issuer to issue its revenue bonds and lend the proceeds thereof to eligible borrowers, as set forth in the Act, for the purpose of financing or refinancing projects that promote the long-term economic development of the Commonwealth through the improvement of its tax base and the promotion of employment. The Act further authorizes the Issuer to pledge the revenues and receipts from the repayment of the loans made with the proceeds of its bonds, or from any other source, to the payment of such bonds and to refund any bonds issued for such purposes.

The Issuer has determined that the issuance of the Series 2014 Bonds in connection with the Plan of Finance will accomplish the purposes of the Issuer as described in the Act.

The Series 2014 Bonds will not be general obligations of the Issuer, the Commonwealth or any other public body, but will be limited obligations of the Issuer payable solely from the sources of payment described herein.

The Board of Directors of the Issuer, the members of which are appointed by the Governor of the Commonwealth, authorized the issuance of the Series 2014 Bonds by resolution adopted on October 21, 2014, subject to the final approval described below. The Governor of the Commonwealth approved the Series 2014 Bonds, for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), in a written consent dated October 27, 2014. Final approval of the transaction documents was obtained from the Issuer at its Board of Directors meeting on November 18, 2014.

THE UNIVERSITY

The University is a nonprofit institute of higher education within the Commonwealth and a corporation duly organized and validly existing under the laws thereof, and is a well-known, historically black university. It is exempt from federal income taxation under Section 501(c)(3) of the Code. The University is a private institution and not a higher educational institution of the Commonwealth. The University's Main Campus located in the City of Hampton, Virginia, and the University also operates an extension campus in the City of Virginia Beach, Virginia. The University owns the Institute, a proton beam cancer treatment facility located in the City of Hampton, Virginia, apart from the Main Campus. See **"PLAN OF FINANCE"** herein for more detailed descriptions of the Main Campus and the Institute.

The University was founded in 1868 by General Samuel Chapman Armstrong, then Superintendent of the Freedmen's Bureau of the Ninth District of Virginia following the conclusion of the Civil War. The University obtained a charter by action of the General Assembly of the Commonwealth on June 4, 1870 and operated for many years as Hampton Normal and Agricultural Institute. Over the years that followed, the University grew from its roots as a normal school and a trade school into a fully accredited institution of higher education. The University now offers more than 68 accredited degree programs, including both undergraduate and graduate programs, to approximately 4,400 students who have matriculated from throughout the United States and abroad.

See **APPENDIX A** – **"INFORMATION CONCERNING THE UNIVERSITY – PROFILE OF THE UNIVERSITY"** for a more detailed description of the University and the programs, facilities and operations provided by the University.

PLAN OF FINANCE

The proceeds of the Series 2014 Bonds will be loaned by the Issuer to the University, as provided in the Loan Agreement. The proceeds of the Series 2014 Bonds will be used by the University to (a) pay the cost of refunding the Prior Bonds; (b) pay the termination payment on an interest rate swap agreement relating to the Series 2008A Bonds; and (c) finance costs of issuance for the Series 2014 Bonds.

Main Campus

The Main Campus is the historical location of the University which has been in operation since its founding. It is comprised of 107 buildings containing academic programs, administrative functions, student housing, and student services, and includes many athletic fields and outdoor common areas.

The Institute

The University owns the Institute, which since opening in 2010, has treated cancer patients using innovative proton radiation technology. The Institute is operated in an approximately 98,000 square foot facility which houses a cyclotron (including an accelerator system and energy selector system), a beam transport system, a switching system, 4 rolling floored gantries, a horizontal fixed beam line treatment room, an integrated therapy control system, and a global safety system. The Institute also provides academic and instructional opportunities to certain students of the University. According to the Particle Therapy Co-Operative Group, the Institute is one of only 16 such treatment centers currently in operation in the United States, only 3 of which are located in the Mid-Atlantic region.

See **APPENDIX A – "INFORMATION CONCERNING THE UNIVERSITY – UNIVERSITY FINANCES – Hampton Roads Proton Therapy Institute"** for a more detailed description of the Main Campus and the Institute.

ESTIMATED SOURCES AND USES

The proceeds from the sale of the Series 2014 Bonds are currently anticipated to be applied as provided below.

Sources:	
Bond Proceeds	$115,090,000.00
Plus Net Original Issue Premium	6,943,877.40
TOTAL	$122,033,877.40
Uses:	
Refund Series 2008A Bonds	$70,117,734.25
Refund Series 2009 Bond	50,055,918.01
Interest Rate Swap Termination Payment[1]	863,400.00
Costs of Issuance[2]	996,825.14
TOTAL	$122,033,877.40

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[1] Interest Rate Swap on Series 2008A Bonds with PNC Bank, National Association as counterparty.

[2] Includes Underwriters' discount, rating agency fees, fees and expenses of the Trustee and its counsel, fees and expenses of the University's financial advisor, fees and expenses of Bond Counsel and counsel to the University, and fees and expenses of counsel to the Underwriters (see **"UNDERWRITING"**).

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending June 30, the amounts required to be made available for the payment of debt service by the University (rounded to the nearest dollar). Refer to **APPENDIX A – "INFORMATION CONCERNING THE UNIVERSITY"** for a description of the obligations of the University for which debt service is shown below under "Existing Debt Service."

Fiscal Year Ending June 30	Existing Debt Service*	Debt Service on Series 2014 Bonds			Total Debt Service Requirements*		
		Principal	Interest	Debt Service	Principal	Interest	Debt Service
2015	$6,976,498	$0	$1,781,037	$1,781,037	$4,229,161	$4,528,374	$8,757,535
2016	6,965,104	2,880,000	5,086,188	7,966,188	7,244,549	7,686,744	14,931,292
2017	6,960,720	2,940,000	4,998,888	7,938,888	7,466,549	7,433,059	14,899,608
2018	6,951,003	3,050,000	4,878,538	7,928,538	7,740,217	7,139,323	14,879,540
2019	6,435,832	3,185,000	4,722,663	7,907,663	7,540,609	6,802,885	14,343,494
2020	6,418,267	3,325,000	4,559,913	7,884,913	7,837,786	6,465,393	14,303,179
2021	4,615,502	3,470,000	4,390,038	7,860,038	6,361,808	6,113,731	12,475,540
2022	4,611,531	3,630,000	4,212,538	7,842,538	6,617,740	5,836,329	12,454,069
2023	4,605,599	3,795,000	4,026,913	7,821,913	6,880,648	5,546,864	12,427,512
2024	4,597,698	3,960,000	3,833,038	7,793,038	7,145,601	5,245,135	12,390,736
2025	4,587,823	4,140,000	3,630,538	7,770,538	7,427,672	4,930,689	12,358,360
2026	3,760,966	4,335,000	3,413,244	7,748,244	6,911,934	4,597,276	11,509,209
2027	3,752,869	4,540,000	3,180,275	7,720,275	7,090,080	4,383,064	11,473,144
2028	3,547,758	4,765,000	2,936,019	7,701,019	7,282,385	3,966,392	11,248,777
2029	3,539,162	4,995,000	2,679,819	7,674,819	7,577,268	3,636,713	11,213,981
2030	3,530,364	5,240,000	2,411,150	7,651,150	7,889,033	3,292,481	11,181,514
2031	3,521,176	5,455,000	2,164,500	7,619,500	8,172,733	2,967,943	11,140,676
2032	3,511,770	5,655,000	1,942,300	7,597,300	8,443,426	2,665,644	11,109,070
2033	3,502,080	5,860,000	1,712,000	7,572,000	8,721,170	2,352,910	11,074,080
2034	3,492,092	6,070,000	1,473,400	7,543,400	9,006,022	2,029,470	11,035,492
2035	3,481,803	6,285,000	1,226,300	7,511,300	9,298,046	1,695,058	10,993,103
2036	3,471,201	6,520,000	970,200	7,490,200	9,612,303	1,349,098	10,961,401
2037	3,460,275	6,750,000	704,800	7,454,800	9,923,858	991,217	10,915,075
2038	3,449,017	6,995,000	429,900	7,424,900	10,252,779	621,138	10,873,917
2039	3,420,100	7,250,000	145,000	7,395,000	10,576,734	238,367	10,815,100
Total:	**$113,166,210**	**$115,090,000**	**$71,509,194**	**$186,599,194**	**$197,250,110**	**$102,515,294**	**$299,765,404**

* "Existing Debt Service" and "Total Debt Service Requirements" do not include debt service on the Prior Bonds being refunded with proceeds of the Series 2014 Bonds. Also, for such columns, variable rate interest cost on the Hampton Harbor Note (defined in APPENDIX A) is calculated based on an assumed per annum interest rate of 3%.

THE SERIES 2014 BONDS

The following is a summary of certain provisions of the Series 2014 Bonds. Reference is made to the Series 2014 Bonds for the complete text thereof and to the Indenture for all of the provisions relating to the Series 2014 Bonds. The description herein is qualified by such reference.

General

The Series 2014 Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and any integral multiple of $5,000. The Series 2014 Bonds will be dated the date of initial delivery and will mature on the dates and bear interest at the rates shown on the inside cover of this Official Statement.

Interest on the Series 2014 Bonds will be payable semiannually on each April 1 and October 1 (each an "Interest Payment Date"), commencing on April 1, 2015. Interest will be calculated on the basis of a 360-day year comprised of twelve (12) 30-day months. The record date for the payment of interest on the Series 2014 Bonds is the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

The Series 2014 Bonds will be subject to the redemption provisions set forth below. The Series 2014 Bonds will be transferable and exchangeable as set forth in the Indenture, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be registered in the book-entry system maintained by DTC. Payment of the principal of, and interest and redemption premium, if any, on, the Series 2014 Bonds will be made to the Beneficial Owners of the Series 2014 Bonds by DTC as described under **"BOOK-ENTRY ONLY SYSTEM"** herein.

Redemption of Series 2014 Bonds

Optional Redemption. The Series 2014 Bonds maturing on or before October 1, 2024, are not subject to optional redemption prior to maturity. The Series 2014 Bonds maturing on or after October 1, 2025, are subject to redemption prior to maturity from any money that may be made available for such purpose, at the option of the Issuer upon direction of the University, on or after October 1, 2024, in whole or in part, at any time in such manner as the University shall direct, at par plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2014 Bonds maturing on October 1, 2029, and October 1, 2038 are subject to mandatory sinking fund redemption by the Issuer at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date without premium, in the principal amounts and on October 1 of the years set forth in the tables below:

$23,875,000 Term Bond Maturing on October 1, 2029

Year	Amount
2025	$ 4,335,000
2026	4,540,000
2027	4,765,000
2028	4,995,000
2029*	5,240,000

* Maturity date

<u>$56,840,000 Term Bond Maturing on October 1, 2038</u>

Year	Amount
2030	$ 5,455,000
2031	5,655,000
2032	5,860,000
2033	6,070,000
2034	6,285,000
2035	6,520,000
2036	6,750,000
2037	6,995,000
2038*	7,250,000

* Maturity date

Extraordinary Optional Redemption. The Series 2014 Bonds are callable for redemption, at any time in whole or in part as set forth below, in the event of exercise by the University of its option to prepay its obligations under the Loan Agreement in connection with (i) damage to or destruction of all or any portion of the Facilities to such an extent that, in the judgment of the University, (A) the Facilities cannot be reasonably restored within a period of three consecutive months to the condition thereof immediately preceding such damage or destruction, (B) the University is thereby prevented from carrying on its normal operations at such parts of the Facilities for a period of three consecutive months, or (C) it would not be economically feasible for the University to replace, repair, rebuild or restore the same; or (ii) condemnation of or failure of title with respect to the Facilities; or (iii) if a change occurs in the Constitution of Virginia or the United States of America or a legislative or administrative action (whether local, state or federal) or a final decree, judgment or order of any court or administrative body contested by the University in good faith is entered that causes the Indenture, the Loan Agreement or the Series 2014 Note to become void or unenforceable or impossible of performance in accordance with the purposes and intent of the parties thereto as expressed therein; or (iv) the Loan Agreement is terminated prior to its expiration for any reason other than the occurrence of a Default under the Loan Agreement or an Event of Default under the Indenture. If called for redemption in any such event or events, the Series 2014 Bonds shall be subject to redemption by the Issuer at any time in whole or in part, together with the interest accrued thereon to the date fixed for redemption and without premium.

The Series 2014 Bonds at any time Outstanding are further callable for redemption, in whole or in part (from maturities as directed by the University) in order to preserve the tax-exempt status of the Series 2014 Bonds, if a "change in use" (as defined in the Code and the applicable regulations and rulings thereunder) occurs with respect to all or a substantial part of the Facilities. If such an event occurs, the Series 2014 Bonds shall be subject to redemption by the Issuer, at the direction of the University, at any time in an amount that bears the same pro rata relationship to the aggregate principal amount of the Series 2014 Bonds then Outstanding as that part of the Facilities with respect to which a change in use has occurred bears to the entire Facilities and at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date and without premium.

Notice of Redemption. Not less than thirty (30) days before the redemption date of any Series 2014 Bonds, the Trustee shall cause a notice of any such redemption to be mailed by first-class mail, postage prepaid, to all registered owners of Series 2014 Bonds as of the immediately preceding record date to be redeemed in whole or in part at their addresses as they appear on the registration books of the Trustee (which will be DTC or its nominee so long as the Bonds are issued in book-entry form), but failure so to mail any such notice or any defect therein shall not affect the validity of the proceedings for such redemption with respect to any Bondholders to whom notice was properly mailed. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid, state any conditions to such redemption, state that such notice is conditional, if applicable, state that on the redemption date, and upon the satisfaction of any such conditions, the Series 2014 Bonds shall cease to bear interest, and, if less than all of the Series 2014 Bonds then Outstanding shall be called for redemption, the distinctive numbers, years and letters, if any, of such Series 2014 Bonds to be redeemed and, in the case of Series 2014 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Series 2014 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2014 Bond shall state also that on or after the redemption date, upon surrender of such Series 2014 Bond, a new registered Series 2014 Bond without coupons in principal amount equal to the unredeemed portion of such Series 2014 Bond will be issued.

Manner of Redemption. Except as otherwise specifically provided in the Indenture, if less than all of the Series 2014 Bonds shall be called for redemption, the particular Series 2014 Bonds or portions of Series 2014 Bonds to be redeemed shall be selected by the University in such manner as the Trustee and the University shall deem fair; provided, however, that the portion of any Series 2014 Bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof, and that, in selecting Series 2014 Bonds for redemption, the Trustee shall treat each Series 2014 Bond as representing that number of Series 2014 Bonds which is obtained by dividing the principal amount of such Series 2014 Bond by $5,000.

Effect of Calling for Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions hereinabove described, the Series 2014 Bonds, or portions thereof, so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2014 Bonds or portions thereof on such date and, if moneys for payment of the redemption price shall be held by the Trustee in trust for the owners of the Series 2014 Bonds or portions thereof to be redeemed, and all other conditions to such redemption described in the notice of such redemption have been satisfied, all as provided in the Indenture, interest on the Series 2014 Bonds or portions of Series 2014 Bonds called for redemption shall cease to accrue, such Series 2014 Bonds or portions of Series 2014 Bonds shall cease to be entitled to any benefit or security under the Indenture, and the owners of such Series 2014 Bonds or portions of Series 2014 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, and, to the extent provided in the Indenture, to receive replacement Series 2014 Bonds for any unredeemed portion of such Series 2014 Bonds.

Acceleration Upon Default

All principal and accrued interest on the Series 2014 Bonds may become immediately due and payable, without premium, upon an Event of Default under the Indenture if the Trustee (1) exercises its option to so declare or (2) is directed to so declare by the Bondholders of at least 25% in aggregate principal amount of Series 2014 Bonds. See **APPENDIX C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE INDENTURE AND THE LOAN AGREEMENT"**.

Defeasance and Discharge

When the interest on, and the principal or redemption premium (if any) of, all Bonds have been paid, or there have been deposited with the Bond Trustee an amount of moneys or Defeasance Obligations the interest on and maturing principal of which, when due and payable, shall provide sufficient amounts to pay the principal of, premium, if any, and interest due and to become due on the Bonds on or prior to the redemption date or maturity date thereof, then all right, title and interest of the Trustee in the Trust Estate shall cease and become discharged and the Bonds shall be no longer deemed outstanding under the Bond Indenture and the Bond Trustee shall cancel the obligations of the Issuer to the holders of the Bonds. See **APPENDIX C – "DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE INDENTURE AND THE LOAN AGREEMENT"**.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS

The Series 2014 Bonds are the only bonds to be issued pursuant to the Indenture. All of the Series 2014 Bonds shall be limited obligations of the Issuer, payable solely from and secured solely by the Trust Estate established in the Indenture. The Trust Estate includes all property pledged and assigned to the Trustee by the Issuer under the granting clauses of the Indenture for the benefit of the owners of the Series 2014 Bonds. The Trust Estate specifically includes (i) the Series 2014 Note and all payments received pursuant thereto, (ii) the Loan Agreement, and (iii) all Funds, Accounts and moneys to the extent provided under the Indenture and the Loan Agreement as security for the payment of the Series 2014 Bonds and the interest thereon and the redemption premium, if any, thereof, and all other obligations in connection with the Series 2014 Bonds.

The sources of payment for the Series 2014 Bonds include all payments made by the University to the Trustee pursuant to the Series 2014 Note and the Loan Agreement, all moneys on deposit with the Trustee in the Funds and Accounts established under the Indenture, and all income derived from the investment of such funds. All payments required to be made to the Issuer under the Series 2014 Note and the Loan Agreement (other than the Unassigned Rights) are to be made to the Trustee as a result of the Issuer's assignment of the Series 2014 Note to the Trustee and of the Issuer's pledge of the Trust Estate as described above.

The Series 2014 Note is a general obligation of the University that is not secured by any revenue pledge or security interest.

See APPENDIX C – "**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE INDENTURE AND THE LOAN AGREEMENT – SUMMARY OF THE INDENTURE**".

Loan Agreement Covenants

Pursuant to the Loan Agreement, the Issuer will loan the proceeds of the Series 2014 Bonds to the University. While any Series 2014 Bonds are outstanding under the Indenture, and until all rebate payments due with respect to the Series 2014 Bonds, if any, and other amounts due under the Series 2014 Note, Loan Agreement and Indenture have been satisfied, the University will be obligated to make payments in amounts sufficient, together with other available funds held under the Indenture, to provide for the timely payment of the principal of and interest on the Series 2014 Bonds that are outstanding, and to perform certain other obligations set forth therein.

Pursuant to the Loan Agreement, the University has agreed with the Issuer to subject itself to certain operational and financial restrictions contained therein. Such restrictions include, among other things, (i) a negative pledge whereby the University covenants not to pledge or encumber its Tuition Revenues or Main Campus property except in limited circumstances in which the Series 2014 Bonds become equally and ratably secured by such collateral, (ii) limitations on the incurrence of additional Indebtedness, and (iii) restrictions on the sale or transfer of assets, and on the ability of the University to effect mergers and consolidations.

See APPENDIX C – "**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE INDENTURE AND THE LOAN AGREEMENT – SUMMARY OF THE LOAN AGREEMENT**".

The University has not pledged its Tuition Revenues or Main Campus Property as security for any other Indebtedness. The University has pledged to Rice Capital Access Program, LLC ("RCAP"), as lender, (i) the revenues of the Institute after operating expenses and (ii) the revenues from the auxiliary enterprises of the University (including, but not limited to, all revenues derived from food services, student center facilities, student housing and campus services) in each case after operating expenses for such auxiliary enterprises. RCAP is the designated bonding authority, a statutorily designated lender for the U.S. Department of Education Historically Black Colleges and Universities Capital Financing Program (the "HBCU Program"), under which the University incurred Indebtedness in May 2013 in the amount of $57,604,377 to refinance certain prior Indebtedness originally used to finance a portion of the costs of acquiring, constructing and equipping the Institute.

See APPENDIX A – **"INFORMATION CONCERNING THE UNIVERSITY – UNIVERSITY FINANCES"** for a more detailed description of the University's outstanding Indebtedness and of the HBCU Program loan.

See APPENDIX B – **"AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013"** for more detailed descriptions of the revenues derived from the Institute (described therein as "HUPTI net patient service revenue") and from the auxiliary enterprises of the University.

Limited Obligation of the Issuer

THE SERIES 2014 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES AND RECEIPTS DERIVED FROM PAYMENTS MADE BY THE UNIVERSITY UNDER THE LOAN AGREEMENT AND THE SERIES 2014 NOTE, WHICH REVENUES AND RECEIPTS

AND SECURITY HAVE BEEN PLEDGED AND ASSIGNED TO THE TRUSTEE TO SECURE PAYMENT OF THE SERIES 2014 BONDS IN THE MANNER AND TO THE EXTENT DESCRIBED IN THE LOAN AGREEMENT AND IN THE INDENTURE. THE SERIES 2014 BONDS ARE NOT A DEBT OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH OF VIRGINIA, NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS OR OTHER COSTS INCIDENT THERETO AND THE OBLIGATION OF THE ISSUER TO PAY IS LIMITED TO THE REVENUES DESCRIBED ABOVE. IN NO EVENT SHALL THE SERIES 2014 BONDS CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT RESTRICTION. NO OFFICER OR DIRECTOR OF THE ISSUER SHALL BE PERSONALLY LIABLE ON THE LOAN AGREEMENT.

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and the book-entry system has been obtained from DTC and such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Underwriters, the Trustee, or the University.

DTC will act as securities depository for the Series 2014 Bonds (the "Securities Depository"). The Series 2014 Bonds will be delivered as fully registered certificates 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 certificate will be issued for each series and maturity of the Series 2014 Bonds in the aggregate principal amount of the Series 2014 Bonds, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the Series 2014 Bonds, as DTC's partnership nominee, references herein to the owners or registered owners of the Series 2014 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2014 Bonds.

The following description of DTC, of procedures and record keeping of beneficial ownership interests in the Series 2014 Bonds, payment of interest and other payments on the Series 2014 Bonds to DTC Participants (as such term is defined herein) or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2014 Bonds and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U. S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U. S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2014 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 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 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 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2014 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to documents related to the Series 2014 Bonds. For example, Beneficial Owners of the Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Issuer, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Trustee, disbursement of such payments to Direct Participants is 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 service as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Trustee and the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, or in the event the Issuer desires to use a similar book-entry system with another securities depository, there may be a successor securities depository (all references to DTC include any such successor). The Issuer may also decide to discontinue participation in the system of book-entry transfer through DTC (or a successor securities depository) at any time by giving reasonable notice to DTC. If the book-entry system is discontinued and there is no successor securities depository, bond certificates are required to be printed and delivered to the Beneficial Owners. The Beneficial Owners of the Series 2014 Bonds, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Series 2014 Bonds.

The Issuer, the Trustee, the University, and the Underwriters cannot and do not give any assurances that Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2014 Bonds (i) payments of principal of or interest or any premium on the Series 2014 Bonds, (ii) confirmation of their ownership interests in the Series 2014 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2014 Bonds, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants will serve and act in the manner described in this Official Statement.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer, the University and the Underwriters believe to be reliable, but neither the Issuer, the University, nor the Underwriters take any responsibility for the accuracy thereof.

NEITHER THE ISSUER, THE UNIVERSITY, THE TRUSTEE, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2014 BONDS; (3) THE DELIVERY BY ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO HOLDERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2014 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

BONDHOLDERS' RISKS

PURCHASE OF THE SERIES 2014 BONDS INVOLVES CERTAIN RISKS. No person should purchase any of the Series 2014 Bonds without carefully reviewing the following information, which summarizes some, but not all, of the factors that should be carefully considered prior to such a purchase. Each prospective investor should carefully examine this Official Statement and his or her own financial condition in order to make a judgment as to whether the Series 2014 Bonds are an appropriate investment.

Identified and summarized below are a number of "Bondholders' Risks" that could adversely affect the operation of the University and/or the Series 2014 Bonds and that should be considered by prospective purchasers. The following discussion is not intended to be exhaustive, but includes certain major factors that should be considered along with other factors set forth elsewhere in this Official Statement, including the Appendices hereto.

Limited Assets of the University

The ability of the Issuer to make timely payments of principal and interest on the Series 2014 Bonds depends solely on the ability of the University to make timely payments of principal and interest on the Series 2014 Note and on its other Indebtedness. See **"ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS"** above. The University expects that revenues derived from its ongoing operations, when taken together with other funds available to the University for such purposes, will at all times be sufficient to make payments on the Series 2014 Note and such other Indebtedness, and the University has covenanted under the Loan Agreement to make all such payments as and when the same become due. However, a number of factors, including those set forth below, may adversely affect the University's ability to make timely payments on the Series 2014 Note and its other Indebtedness. In general, the University's assets and revenues available to make such payments are limited by the success of the University's operations and by factors outside the University's control.

Factors Impacting Higher Education and Enrollment

No representation or assurance can be given to the effect that the University will generate sufficient revenues to meet its debt service obligations. There are a number of factors affecting institutions of higher education in general that could have an adverse effect on the University's ability to make such payments. These factors include, but are not limited to, the continuing rising costs of providing higher education services; increasing costs of compliance with federal or state laws or regulations, including, without limitation, laws or regulations concerning healthcare insurance, environmental quality, work safety, and accommodations for people with disabilities; legislation or regulations which may affect student aid and other educational program funding; economic conditions in the areas from which the University traditionally draws students; increased competition from other educational institutions; difficulties with recruiting and retaining faculty members; changes in the demand for higher educational services; demographic changes; and unanticipated litigation.

The University's enrollment numbers have been adversely affected recently by flat funding streams from the federal government. For example, in recent years there have been no significant increases in the federal Pell Grant program. Additionally, certain 2011 changes in the Federal Direct PLUS Loan Program underwriting standards prevented many families from qualifying for such loan, upon which many of the University's students have historically relied. This is a condition that is affecting many private colleges and universities similar to the University. However, federal regulatory changes, effective July 1, 2015, may relieve the aforementioned challenges with respect to the Federal Direct PLUS Loan Program.

See APPENDIX A – "INFORMATION CONCERNING THE UNIVERSITY – PROFILE OF THE UNIVERSITY – Student Enrollment" for a more detailed description of the University's enrollment numbers.

Factors Impacting the Proton Therapy Institute

No assurance can be given that the Institute will generate revenues sufficient to support, in whole or in part, the University's payment of debt service obligations relating to the Institute. There are a number of factors that affect or could, in the future, affect the Institute which could have an adverse effect on the University's financial condition. These factors include, but are not limited to, the continuing rising costs of healthcare and healthcare insurance; increasing costs of compliance with federal or state laws and regulations; political instability relating to healthcare insurance coverage and programs such as Medicaid and Medicare; economic conditions in the areas from which the Institute typically draws patients; competition from other cancer treatment providers, including those subsidized with public funds; possible introduction of newer or better cancer treatment methodologies offered at other health care facilities in the Institute's service area, which could present competitive disadvantages to the Institute or even render proton beam therapy obsolete; relatively high costs of proton therapy treatment compared with conventional radiation; limited availability of physicians, nurses and other professionals with necessary skill sets; and unanticipated litigation.

Approximately 40% of the revenues of the Institute are derived from government reimbursement programs including, in particular, the Medicare and Medicaid programs. Medicare is a federal program of insurance created by Title XVIII of the Social Security Act which, in general, provides for payment of hospital, physician and certain other health care costs of persons who are 65 years of age and older and qualify for Social Security retirement benefits, who are under 65 years of age but qualify for Social Security disability benefits or who qualify for end-stage renal (kidney) disease benefits. Medicaid is the commonly accepted name for the health care reimbursement program created by Title XIX of the Social Security Act to benefit low income and disabled persons. Medicaid is a combined federal and state program. As of the date of this Official Statement, the General Assembly of the Commonwealth has not approved participation in the expansion of Medicaid eligibility and subsidies made available under the Patient Protection and Affordable Care Act of 2010.

There is no guarantee that Medicare, Medicaid or any other federal, state or other governmental health care programs will continue to pay for proton therapy treatments or that current reimbursement for proton therapy treatments will remain at the same levels and not be cut or decreased. In recent years there have been numerous federal legislative and administrative actions that have reduced the rate of increase in Medicare payments to health care providers. The federal government also has reduced the share of federal matching payments made to the states to subsidize certain costs under Medicaid programs. In addition to the Medicare and Medicaid programs, the

Institute and the health care industry in general are subject to regulation by a number of governmental agencies that affect the delivery, administration and payment of health care services on both a national and local basis. Changes or factors in any of those areas could have a significant impact on the Institute's operations and revenues.

Revenues from Tuition and Fees

The University derives a substantial portion of its total operating revenues from tuition, fees and other charges to its students. Although the University has been able to generate student demand for its academic programs at current tuition and fee levels, there is no assurance that it will be able to continue to do so in the future or to sustain student demand at increasing tuition and fee levels. Tuition and fees at the University, as at other private colleges and universities, are generally higher than at state-supported colleges and universities. Demand for attendance at the University may be subject to fee-related factors beyond its control, including, but not limited to, general economic and demographic conditions, funding levels at state-supported and competing private colleges and universities and the levels of public and private funding of financial aid programs. See "**BONDHOLDER'S RISKS – Factors Impacting Higher Education and Enrollment**" and "**BONDHOLDER'S RISKS – Availability to Students of Financial Assistance**" for additional information on enrollment and federal funding of financial aid programs.

Availability to Students of Financial Assistance

Many of the University's undergraduate students received some amount of financial assistance in the form of scholarships, grants, loans or employment in academic year 2013-2014. Financial assistance is a significant factor in the decision of many students to attend a particular college or university. The level of financial assistance is directly affected by funding levels of federal and state financial aid programs, the level of private giving to the University and the amount of income derived from the investment of endowment and similar funds. Any significant reduction in the level of scholarship, grant or loan assistance offered to prospective students could reduce the number of qualifying applicants and the number of students actually enrolling at the University.

See APPENDIX A – **"INFORMATION CONCERNING THE UNIVERSITY – PROFILE OF THE UNIVERSITY – Financial Aid"** for a more detailed description of financial assistance programs available to the University's students.

Variability of Investment Income

Investment income earned on the University's endowment and similar funds is a significant revenue source for the University. Although the University believes that those investments are being managed prudently and has adopted policies designed to ensure the prudent management of those investments in the future, there is no assurance that unforeseen developments in the securities markets will not adversely affect the market value of those investments and the income generated therefrom.

See APPENDIX A – **"INFORMATION CONCERNING THE UNIVERSITY – UNIVERSITY FINANCES – Endowment and Investments"** for a more detailed description of financial assistance programs available to the University's students.

Fund Raising Factors

The University has historically demonstrated an ability to raise funds from a variety of benefactors for its operations, capital development programs and endowment. The ability to raise funds in the future may be affected adversely by a number of factors, including changes in general economic conditions and tax law changes affecting the deductibility of charitable contributions.

Additional Debt

The possible incurrence by the University of additional debt, secured or unsecured, in the future (albeit subject to limitations imposed thereon in the Loan Agreement and the University's other agreements related to

Indebtedness) may have an adverse effect on: (a) the ability of the University to make payments required under the Series 2014 Note and its other Indebtedness, and (b) the market price of the Series 2014 Bonds.

Unsecured Obligations

Payment of the Series 2014 Note, and therefore the Series 2014 Bonds, is not secured by any mortgage or pledge of any of the University's assets and is thus dependent upon University revenues, fund raising and earnings on investments.

Bankruptcy

Any attempt by the Trustee to enforce payment of the Series 2014 Note or other rights provided in the Loan Agreement may be limited by bankruptcy proceedings and usual equity principles, which may restrict the ability of the Trustee to seek payment from property of the University. Because the Series 2014 Bonds and the Series 2014 Note are not secured by any lien or security interest, the Trustee would be an unsecured creditor with no special claim in a bankruptcy proceeding to revenues or particular assets of the University.

Bankruptcy proceedings by the University could have adverse effects on holders of the Series 2014 Bonds, including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the University after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Series 2014 Bonds. The United States Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors such as the holders of the Series 2014 Bonds, such class of creditors will have the benefit of their original claim or the "indubitable equivalent" thereof; however, such plan may not provide for payment in full of the Series 2014 Bonds. The effect of these and other provisions of the United States Bankruptcy Code cannot be predicted and may be affected significantly by judicial interpretation.

Enforceability of Remedies

The remedies available to the Trustee or the owners of the Series 2014 Bonds upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay.

The enforceability of remedies or rights with respect to the Series 2014 Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (federal bankruptcy code), certain remedies specified by the Indenture or the Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds, the Indenture and the Loan Agreement will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Limited Obligations

THE SERIES 2014 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES AND RECEIPTS DERIVED FROM PAYMENTS MADE BY THE UNIVERSITY UNDER THE LOAN AGREEMENT AND THE SERIES 2014 NOTE, WHICH REVENUES AND RECEIPTS AND SECURITY HAVE BEEN PLEDGED AND ASSIGNED TO THE TRUSTEE TO SECURE PAYMENT OF THE SERIES 2014 BONDS IN THE MANNER AND TO THE EXTENT DESCRIBED IN THE LOAN AGREEMENT AND IN THE INDENTURE. THE SERIES 2014 BONDS ARE NOT A DEBT OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH OF VIRGINIA, NOR ANY POLITICAL SUBDIVISION OF THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS OR OTHER COSTS INCIDENT THERETO AND THE OBLIGATION OF THE ISSUER TO PAY IS

LIMITED TO THE REVENUES DESCRIBED ABOVE. IN NO EVENT SHALL THE SERIES 2014 BONDS CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT RESTRICTION. NO OFFICER OR DIRECTOR OF THE ISSUER SHALL BE PERSONALLY LIABLE ON THE LOAN AGREEMENT.

Tax-Related Factors

Change in Law

Future legislation, if enacted into law, or clarification of the Code, or court decisions, may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Purchasers should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Dependence Upon Tax-Exempt Status

By virtue of a letter from the Internal Revenue Service, the University has been determined to be an exempt organization as described in Section 501(c)(3) of the Code, and is not classified as a "private foundation." To maintain the University's tax-exempt status and to avoid treatment as a private foundation, the University is subject to a number of requirements affecting its operations. In a series of recent actions, the Internal Revenue Service has increased its auditing and scrutiny of 501(c)(3) organizations in general and their use of tax-exempt financing in particular. A possible modification or repeal of certain existing federal income tax laws, a change in Service policies, a change of the method of operations, purposes or character of the University, or other factors could result in a loss by the University of its status of an exempt organization under Section 501(c)(3) of the Code.

The tax-exempt status of nonprofit corporations and the exclusion of income earned by them from taxation has been the subject of review by various federal, state and local legislative, regulatory and judicial bodies. This review has included proposals to broaden and strengthen existing federal tax law with respect to the taxation of unrelated business income of nonprofit corporations such as the University.

Risk of Audit

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the Series 2014 Bonds. Owners of the Series 2014 Bonds are advised that, if the Internal Revenue Service does audit the Series 2014 Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the Issuer as the taxpayer, and the owners of the Series 2014 Bonds may have limited rights to participate in the audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2014 Bonds during the pendency of the audit, regardless of the ultimate outcome thereof. The Issuer is not responsible for paying or reimbursing the University or any owner or beneficial owner of the Series 2014 Bonds for any audit or litigation costs relating to the Series 2014 Bonds.

Secondary Markets and Prices

The Underwriters will not be obligated to repurchase any of the Series 2014 Bonds, and no representation is made concerning the existence of any secondary market. There can be no assurance that any secondary market will develop following the completion of the offering of the Series 2014 Bonds. Further, there can be no assurance that the initial offering prices for the Series 2014 Bonds will continue for any period of time.

The Series 2014 Bonds are not readily liquid, and no person should invest in the Series 2014 Bonds with funds such person may need to convert readily into cash. Bondholders should be prepared to hold their Bonds to the stated maturity date.

Failure To Provide Ongoing Disclosure

The University will enter into the Disclosure Dissemination Agent Agreement pursuant to the Rule (as such terms are defined herein). Failure to comply with the Disclosure Dissemination Agent Agreement and the Rule may adversely affect the transferability and liquidity of the Series 2014 Bonds and their market price. See **"CONTINUING DISCLOSURE"** herein and **APPENDIX E – "FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT"**. The Trustee is not required to enforce any provisions of the Disclosure Dissemination Agent Agreement and the University's failure to comply with the Disclosure Dissemination Agent Agreement will not, by its terms, cause any default under the Loan Agreement, the Series 2014 Note, the Indenture or the Series 2014 Bonds.

Limited Legal Opinions

The various legal opinions to be delivered concurrently with the delivery of the Series 2014 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 the parties to that transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2014 Bonds, or in any way contesting or affecting the validity of the Series 2014 Bonds or any proceedings of the Issuer taken with respect to the issuance or sale thereof, or the pledge or application of any money or security provided for the payment of the Series 2014 Bonds or the existence or powers of the Issuer.

There is no controversy or litigation of any nature now pending or threatened against the University that, in the judgment of the University, would materially adversely affect the operations or financial condition of the University or the ability of the University to perform its obligations under the Loan Agreement or to accomplish the transactions contemplated by this Official Statement.

APPROVAL OF LEGALITY

The validity of the Series 2014 Bonds will be passed upon by Kaufman & Canoles, a Professional Corporation, Bond Counsel, and the Underwriters' obligation to purchase the Series 2014 Bonds is subject to, among other things, the issuance of Bond Counsel's approving opinion, which will be substantially in the form set forth in **APPENDIX D** to this Official Statement. Certain legal matters will also be passed upon for the Underwriters by Bryant Miller Olive P.C., Washington, D.C.; for the University by Faye Hardy-Lucas, Esquire, general counsel, and by Kaufman & Canoles, a Professional Corporation, special counsel; and for the Issuer by the Office of the Attorney General of the Commonwealth of Virginia, Richmond, Virginia, none of which in such capacities is passing on the validity of the Series 2014 Bonds. Copies of such opinions will be available from the Underwriters at the time of delivery of the Series 2014 Bonds.

TAX MATTERS

The Code establishes certain requirements which must be met concurrently with, and subsequent to, the issuance of the Series 2014 Bonds, in order that the interest on the Series 2014 Bonds be and remain excluded from the gross income of the recipients thereof for federal income tax purposes. At the time of issuance and delivery of the Series 2014 Bonds, the Issuer, the University and the Trustee will make certain representations, certifications and covenants which are intended to assure compliance with such requirements. In the event of the inaccuracy of such representations and certifications, or the non-compliance with such covenants, interest on the Series 2014 Bonds may be required to be included in the gross income of the recipients thereof, retroactively to the date of issuance of the Series 2014 Bonds under certain circumstances.

On the date of issuance and delivery of the Series 2014 Bonds, Kaufman & Canoles, a Professional Corporation, Bond Counsel, will deliver its opinion, in the form of **APPENDIX D - "FORM OF BOND COUNSEL OPINION"**, to the effect that the interest on the Series 2014 Bonds, under existing statutes, regulations and judicial decisions, is excluded from the gross income of the owners of the Series 2014 Bonds for federal income tax purposes. In addition, in the opinion of Bond Counsel, interest on the Series 2014 Bonds will not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations. No opinion will be expressed with respect to any other federal tax consequences of the receipt or accrual of interest on the Series 2014 Bonds. The opinion of Bond Counsel will state that it assumes the accuracy of the representations and certifications of the Issuer, the University and the Trustee, and the continued compliance with the covenants related to the exclusion of interest on the Series 2014 Bonds from gross income.

Prospective purchasers of the Series 2014 Bonds should be aware that the ownership of tax-exempt obligations may result in other federal income tax consequences to certain taxpayers, including, but not limited to, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement Benefits, foreign corporations engaged in a trade or business in the United States, certain "S" Corporations, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers, including any of those falling within such categories, should consult their own tax advisors.

From time to time, there are legislative proposals in Congress that, if enacted, could cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation, adversely affect the market value of the Series 2014 Bonds or otherwise prevent owners of the Series 2014 Bonds from realizing the full current benefit of the tax status of such interest. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment. Purchasers of the Series 2014 Bonds should consult their tax advisors regarding the effect of any such legislation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2014 Bonds, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Series 2014 Bonds or as to the consequences of owning or receiving interest on the Series 2014 Bonds, in each case as of any future date. Bond Counsel has not agreed to notify the Issuer or the owners of the Series 2014 Bonds as to any event subsequent to the issuance of the Series 2014 Bonds that might affect the tax treatment of interest on the Series 2014 Bonds, the market value of the Series 2014 Bonds or the consequences of owning or receiving interest on the Series 2014 Bonds.

The opinion of Bond Counsel will also state that interest on the Series 2014 Bonds is exempt from all present Commonwealth of Virginia income taxes. Interest on the Series 2014 Bonds, however, may or may not be subject to state or local income taxation in other jurisdictions under applicable state or local tax laws. Each purchaser of the Series 2014 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2014 Bonds in a particular state or local jurisdiction.

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Series 2014 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collect such payments on behalf of the recipient.

If an owner purchasing Series 2014 Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2014 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

UNDERWRITING

The Underwriters expect to enter into a Bond Purchase Agreement for the Series 2014 Bonds (the "Bond Purchase Agreement") to purchase the Series 2014 Bonds, subject to certain conditions, at a price equal to the principal amount of the Series 2014 Bonds plus a net original issue premium of $6,943,877.40 and less an Underwriters' discount of $647,161.57 (approximately 0.5623% of the principal amount of the Series 2014 Bonds). The obligation of the Underwriters to pay for the Series 2014 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the delivery of specified opinions of counsel and of a certificate of the University that there has been no material adverse change in its condition (financial or otherwise) from that set forth in this Official Statement.

The Underwriters may offer and sell the Series 2014 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2014 Bonds into investment trusts) and others at prices different from the public offering prices stated on the inside cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriters.

SunTrust Robinson Humphrey, Inc. ("STRH"), one of the Underwriters of the Series 2014 Bonds, has entered into an agreement (the "Distribution Agreement") with SunTrust Investment Services, Inc. ("STIS") for the retail distribution of certain municipal securities offerings, including the Series 2014 Bonds. Pursuant to the Distribution Agreement, STRH will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2014 Bonds with STIS. STRH and STIS are both subsidiaries of SunTrust Banks, Inc. SunTrust Robinson Humphrey is the trade name for certain capital markets and investment banking services of SunTrust Banks and its subsidiaries.

FINANCIAL STATEMENTS

The consolidated financial statements of the University as of June 30, 2013, and for the fiscal year then ended, included in **APPENDIX B** of this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in **APPENDIX B** herein. Much of the information included in **APPENDIX A** of this Official Statement reflects preliminary (unaudited) results of the University's fiscal year ended June 30, 2014, pending the conclusion of the audit of the consolidated financial statements of the University for such fiscal year. The audit for the fiscal year ended June 30, 2014 has not been concluded as of the date of this Official Statement. In addition, a summary of the statements of the financial position and statements of activities of the University as of and for each of the four fiscal years ended June 30, 2010 through 2013, and for the twelve-month period ended June 30, 2014 is included in **APPENDIX A – "INFORMATION CONCERNING THE UNIVERSITY – UNIVERSITY FINANCES**." KPMG LLP, the University's independent auditors, have not been engaged to perform and have not performed, since the date of their report included herein, any procedures on the financial information addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

FINANCIAL ADVISOR

The University has retained Bretwood Capital Partners, Atlanta, Georgia (the "Financial Advisor") in connection with the issuance of the Series 2014 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

RATINGS

S&P has assigned a long-term rating of "A–" to the Series 2014 Bonds prior to their original delivery date.

The rating assigned by S&P reflects only the current view of such rating agency, as discussed more fully in the ratings report issued by S&P. Reference is made to such report for a discussion by such rating agency of its analysis and the assumptions upon which its assigned rating is based and any conditions attached to maintenance of such rating.

Explanation of the significance of such rating may be obtained, from time to time, from the firm giving such rating. A rating is not a recommendation to buy, sell or hold the Series 2014 Bonds. There is no assurance that such rating will not be withdrawn or revised downward. Such action, if taken, could have an adverse effect on the market price of the Series 2014 Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities Exchange Commission, the University has agreed to make a continuing disclosure undertaking pursuant to a Disclosure Dissemination Agent Agreement to be executed by and between the University and Digital Assurance Certification, L.L.C. (the “Disclosure Dissemination Agent Agreement”) with respect to the Series 2014 Bonds for the benefit of the registered and Beneficial Owners of the Series 2014 Bonds. Pursuant to the Disclosure Dissemination Agent Agreement, the University has agreed to provide or cause to be provided (i) certain annual financial information and operating data; (ii) notice of the occurrence of certain events with respect to the Series 2014 Bonds within ten (10) business days of the occurrence of such event; and (iii) timely notice of a failure by the University to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The proposed form of Disclosure Dissemination Agent Agreement containing the covenants made by the University hereunder for the benefit of the registered and Beneficial Owners of the Series 2014 Bonds is attached as **APPENDIX E**.

Failure by the University to comply with the Disclosure Dissemination Agent Agreement will not constitute a Default under the Loan Agreement or an Event of Default under the Indenture. The Bondholders of the Series 2014 Bonds are limited to the remedies described in the Disclosure Dissemination Agent Agreement. Failure of the University to comply with the Disclosure Dissemination Agent Agreement must be reported in accordance with the Rule.

The Issuer is not contractually obligated to supplement or update the information included in the Official Statement after the delivery of the Series 2014 Bonds. The Underwriters have not undertaken and are not obligated either to supplement or update the information included in the Official Statement.

In the past five years, with respect to the Virginia College Building Authority Educational Facilities Revenue and Refunding Bonds (Hampton University Project), Series 2005 (the "Series 2005 Bonds"), the University did not comply with its continuing disclosure requirements as described in Section (b)(5)(i) of the Rule. Between the date of issuance of the Series 2005 Bonds through and including June 27, 2014, the University filed its audited financial statements (the "Audit") and certain other information on the Bloomberg Professional® service platform (“Bloomberg”). However, the University was unaware that as of July 1, 2009, Bloomberg ceased to be designated a nationally recognized municipal securities information repository (NRMSIR). Consequently, for fiscal years ended June 30, 2009, through and including June 30, 2013, the University inadvertently failed to provide operating data and financial information of the type included in the Official Statement for the Series 2005 Bonds and its annual financial statements. In addition, the University discovered that it failed to file a material events notice with respect to a ratings change of the University’s rating and consequently the underlying rating on the Series 2005 Bonds by Standard & Poor's Ratings Services on February 10, 2014, from A+ to A-. **APPENDIX A** to this Official Statement includes, for the past five years, operating data and financial information of the type included in the Official Statement for the Series 2005 Bonds. In addition, on November 14, 2014, the University filed, on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) website a Notice of Material Events providing the remainder of the information described above. Furthermore, on November 14, 2014, the University hired Digital Assurance Certification, L.L.C., to serve as dissemination agent in connection with the Series 2005 Bonds and the Series 2014 Bonds. The University fully anticipates satisfying all of its future continuing disclosure obligations under the Rule.

RELATIONSHIPS OF PARTIES

Kaufman & Canoles, a Professional Corporation, Bond Counsel and counsel to the University also provides legal services from time to time to SunTrust Bank and PNC Bank, National Association, affiliates of certain Underwriters, on matters unrelated to the issuance of the Series 2014 Bonds. Bryant Miller Olive P.C., counsel to the Underwriters, also provides legal services to the Trustee on matters unrelated to the issuance of the Series 2014 Bonds.

MISCELLANEOUS

The references in this Official Statement to provisions of the Indenture and the Loan Agreement are brief descriptions of certain provisions thereof. Those descriptions do not purport to be complete and, for full and complete statements of those provisions, reference is made to those documents, copies of which will be on file at the principal office of the Trustee.

The Issuer has reviewed the information contained herein relating to it under the captions **"THE ISSUER"** and **"LITIGATION"** as it relates to the Issuer and has approved all such information for use herein.

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

By: /s/ Gail Letts
Chairman

Approved:

HAMPTON UNIVERSITY

By: /s/ Doretha J. Spells
Vice President for Business Affairs
and Treasurer

APPENDIX A

INFORMATION CONCERNING THE UNIVERSITY

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OVERVIEW OF THE UNIVERSITY

Hampton University (the "University") is a private nonprofit, non-sectarian institution of higher education located in the City of Hampton, Virginia, in the Hampton Roads area of southeastern Virginia. It is exempt from federal income taxation under Section 501(c)(3) of the Code. The University was founded in 1868 by General Samuel Chapman Armstrong, then Superintendent of the Freedmen's Bureau of the Ninth District of Virginia following the conclusion of the Civil War. The University obtained a charter by action of the General Assembly of the Commonwealth of Virginia on June 4, 1870 and operated for many years as the Hampton Normal and Agricultural Institute. In 1930, the name was changed to Hampton Institute and it was empowered to grant degrees. In 1984, the name was again changed from Hampton Institute to Hampton University, which is now organized into four colleges: Hampton Institute, which is the Undergraduate College; the Graduate College; University College; and the College of Virginia Beach. In addition to its educational campuses, the University owns the property where the Hampton University Proton Therapy Institute (the "Institute") is operated, and is the corporate parent of the entity that owns and operates Hampton Harbor, a 246-unit apartment complex in the City of Hampton, and the Harbour Centre complex, acquired by a donation to the University, that is a 14-story multi-tenant office building located in downtown Hampton.

GOVERNANCE

The University is governed by its Chairman of the Board, President and other officers and a Board of Trustees (the "Board") that can have not less than fifteen (15) and not more than twenty eight (28) members. The current Board is comprised of 20 members. Seventeen (17) of these members were elected for three (3) year terms by the incumbent Trustees, two (2) of the members (a student representative and a faculty representative) serve for one (1) year terms, and the President of the University serves for his term of office. The consent of the Board or its committees is required for certain acts of the University, including certain academic and administrative appointments, the awarding of degrees, certain investments and the incurrence of debt. The Trustees also review the academic performance of the several departments of the University through committees composed of Trustees and others. The following persons are the current officers and Board members:

Officers

Mr. W. Frank Fountain, Chairman	Dr. William R. Harvey, President
Mr. Curtis E. Ransom, First Vice Chairman	Faye Hardy-Lucas, Esq., Secretary
The Honorable Vanessa D. Gilmore, Second Vice Chairman	Mrs. Doretha J. Spells, Treasurer

Trustees

Mrs. Leslie D.J. Patterson	Partner Ernst &Young, LLP
Mr. I. Emerson Bryan, III	Director of Support Services, Atlanta Regional Commission
Dr. Charles I. Bunting	Consulting Partner Storbeck/Pimentel & Associates
Mr. H. Rodgin Cohen, Esq.	Attorney and Managing Partner Sullivan & Cromwell, LLP

Mr. Wesley A. Coleman	Former Executive Vice President and Chief Human Resources The Walt Disney Company
Dr. Francisco Coronel	Faculty Representative Hampton University
Dr. William “Bill” Cosby	Comedian, Actor, Author, Television Producer, and Educator
Ambassador Edward E. Elson	Former Ambassador of the United States to the Kingdom of Denmark
The Honorable Vanessa D. Gilmore	Judge – U.S. District Court, Southern District of Texas
Dr. William R. Harvey	President Hampton University
Dr. Wendell P. Holmes, Jr.	Former President Wendell Holmes Funeral Home
Ms. Lina Hu	Chairman/CEO Clipper Corporation
Mr. W. Frank Fountain	Former Chairman Walter P. Chrysler Museum Foundation
Mr. Clarence E. Lockett	Former Vice President, Corporate Controller Johnson and Johnson
Mr. Gordon L. Gentry, Jr.	Chairman- Peninsula Division TowneBank
Mr. Charles Harvey	Vice President, Diversity and Public Affairs Johnson Controls
Mr. Alphonso Jackson	Managing Director and Vice Chairman Mortgage Banking JPMorgan Chase & Company
Mr. Frederic V. Malek	Chairman Thayer Lodging Group
Mr. Curtis E. Ransom	President /Owner Cerp Foods, Inc.
Miss Morgan Wilson	Student Representative Senior Business Management Major

ADMINISTRATION

Set forth below are the University's chief administrative officers and a brief biographical sketch of each.

Dr. William R. Harvey, President of the University. Dr. William R. Harvey was named President of the University in 1978. Prior to his association with the University, Dr. Harvey served as Administrative Vice President at Tuskegee University, Administrative Assistant to the President at Fisk University, and as Assistant for Government Affairs to the Dean of the Graduate School of Education at Harvard University. Dr. Harvey received his Bachelor of Arts degree in History from Talladega College and a Doctor of Education degree in College Administration from Harvard University.

Mrs. Doretha J. Spells, Vice President for Business Affairs and Treasurer. Mrs. Doretha J. Spells joined the University in 1980 and was elected Vice President for Business Affairs and Treasurer of the University in 2000. Prior to this election, Mrs. Spells held the positions of Associate Vice President for Business Affairs and Comptroller, Assistant Comptroller, Payroll Officer and Loan Officer. Mrs. Spells received her Bachelor of Science degree in Business Administration from South Carolina State University and her Masters degree in Business Administration from Tennessee Technological University.

Dr. JoAnn W. Haysbert, Executive Vice President. Dr. JoAnn W. Haysbert joined the University in 1980. She is the Executive Vice President. She holds the Bachelor of Arts degree in Psychology from Johnson C. Smith University, the Masters in Education degree in Educational Administration and the doctoral degree in Educational Administration with a teaching specialization in Psychology from Auburn University. During her 28-year tenure at Hampton, she has served in several key positions, including acting president and provost.

Faye Hardy-Lucas, Esq., University General Counsel. Mrs. Faye Hardy-Lucas, Esq., joined the University in March 1994, as University General Counsel. She was elected as Secretary to the Board in September of that same year. Mrs. Hardy-Lucas holds a Bachelor of Science degree in Business Management from the University and a Juris Doctorate degree from Howard University. Prior to joining the University, Mrs. Hardy-Lucas was Assistant Commonwealth Attorney in Newport News, Virginia from 1990-1994 and an Assistant Attorney in the office of the Deputy Mayor for Finance in Washington, D.C. from 1987-1988.

Mrs. Iris Ramey, Vice President for Development. Mrs. Iris Ramey joined the University in June 2014 as Vice President for Development. Mrs. Ramey began her career in educational philanthropy in 1998 and has since worked at four very diverse institutions of higher learning. Prior to joining the University, she served as Vice President for Development at Bennett College in Greensboro, North Carolina. Mrs. Ramey earned her Bachelor of Arts in English from Virginia State University and a Master of Science in Urban Affairs at Hunter College, City University of New York.

PROFILE OF THE UNIVERSITY

The University is a multicultural, historically black, privately endowed, university that is located on 285 acres of Virginia's Peninsula at the mouth of the Chesapeake Bay. With noted buildings listed with the National Register of Historic Places, the University is within 40 miles of Jamestown, Yorktown, and Colonial Williamsburg. It is the oldest nonsectarian, co-educational, postsecondary institution in the Commonwealth of Virginia. The University ranks high when compared with institutions in the South and Southeast due to its selectivity in admissions, high standards of teaching, rigorous curricula and the professional activities of the faculty. The University is a comprehensive institution dedicated to the promotion of world-class learning, building of character, and preparation of promising students of all backgrounds for positions of leadership and service. Placing its students at the center of its planning, the

University provides a holistic educational environment. In achieving its mission, the University offers exemplary programs and opportunities, which enable students, faculty and staff to grow, develop and contribute to society in a productive, useful manner. Its curricular emphasis is scientific and professional, with a strong liberal arts undergirding. Research and public service are integral parts of Hampton's mission. In order to enhance scholarship and discovery, the faculty is engaged in writing, research and grantsmanship. Learning is facilitated by a range of educational offerings, a rigorous curriculum, excellent teaching, professional experiences, multiple leadership opportunities, and an emphasis on the development of character, which values integrity, respect, decency, dignity, and responsibility. From its humble origins, the University has evolved into a prestigious, nationally acclaimed university that prides itself on setting "*The Standard of Excellence*" in education.

Academic Programs

The University is organized into four colleges: Hampton Institute, the Undergraduate College, the Graduate College, University College, and the College of Virginia Beach. Counting all colleges on a combined basis, the University offers a total of 68 accredited degree programs.

The Undergraduate College has seven schools: Business, Engineering and Technology, Liberal Arts, Education and Human Development, Nursing, Pharmacy, and Science. Each school offers a variety of majors in their respective fields of study.

<u>Instructional Locations</u>

The University has two sites for traditional classroom instruction: The main campus in Hampton, Virginia, and one satellite campus at 253 Town Center Drive in Virginia Beach, Virginia. The College of Virginia Beach offers an accelerated bachelors of science in Nursing Program, a baccalaureate degree program in Hotel/Resort Management, and a graduate degree in Educational Leadership. A student may obtain 50% of credits toward all of the educational programs at this location. The certificate, associate, and baccalaureate degree programs offered through University College are also offered on the main campus.

<u>Distance and Correspondence Education</u>

The University College offers distance education programs to accommodate adult learners who are unable to attend regular or evening classes. The program curriculum is offered in five, nine-week session cycles and the traditional academic semesters. The educational programs are delivered primarily using asynchronous technology and with the availability of synchronous technology. These programs are not offered at a specific site. University College offers the following online programs where 50% or more of the credit hours are delivered through distance or correspondence education modes:

- Two (2) certificate programs – Human Resource Management and Paralegal Studies.

- Three (3) associate degree programs – Aviation Management, Business Management, and General Studies.

- Eight (8) baccalaureate programs – Business Management, Criminal Justice, General Studies, Nursing, Paralegal Studies, Religious Studies, and Systems Organization and Management.

- Three (3) master's programs – Education in Curriculum & Instruction, Information Assurance, and Nursing (MHA).

- Five (5) doctoral programs – Business Administration, Education Management (Higher Education, K-12 Concentrations), Nursing (DNP and PhD), and Counseling (beginning Fall 2014).

Faculty and Staff

Faculty

For the academic year starting Fall 2014, the undergraduate and graduate faculty had a full-time teaching equivalency of 296, and the University had 289 full-time faculty members. Approximately 81% of full-time faculty members with ranks of assistant professor, associate professor and professor hold terminal degrees in their fields, and 26% of such faculty members are tenured. The University has attained a student/faculty ratio of 10:1, having improved from a ratio of 12:1 over the last four years. The University believes this ratio is lower than most of the colleges and universities that it considers to be its main competitors. See “Competing Institutions,” below.

Staff

For the Fall 2014 semester, the University has 636 full-time equivalent staff employees, consisting of 626 full-time employees and 12 part-time staff employees. These figures include administrative staff and officers not included in the faculty employment classification described above. None of the University’s employees are represented under collective bargaining agreements.

Accreditation

The University is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award degrees at the associate, baccalaureate, master’s, education specialist and doctoral levels. The University holds membership in the Council of Graduate Schools, the Council of Independent Colleges in Virginia, and the American Council on Education. The University is exempt from the requirements of certification or approval by the Private and Out-of-State Postsecondary Education unit of the Academic Affairs division of the State Council of Higher Education in Virginia (SCHEV), which is responsible for certification of private and out-of-state postsecondary education institutions operating in Virginia.

In addition, the University (its undergraduate and/or graduate programs, as applicable) is accredited or approved by the following bodies:

- Council for Higher Education Accreditation (CHEA).
- The School of Business programs are accredited by the International Assembly of Collegiate Business Education (IACBE).
- The architecture program in the School of Engineering & Technology is accredited by the National Architectural Accrediting Board (NAAB).
- The aviation programs in the School of Engineering & Technology are accredited by the Aviation Accreditation Board International (AABI).
- The chemical and electrical engineering programs in the School of Engineering & Technology are accredited by the Engineering Accreditation Commission of the Accrediting Board for Engineering and Technology (ABET).

- The music programs in the School of Liberal Arts are accredited by the National Association of Schools of Music (NASM).
- The School of Nursing undergraduate and graduate programs are accredited by the Commission on Collegiate Nursing Education (CCNE); the undergraduate program is approved by the Virginia Board of Nursing.
- The School of Pharmacy program is accredited by the Accreditation Council for Pharmacy Education (ACPE).
- The computer science program in the School of Science is accredited by the Computing Accreditation Commission of the Accrediting Board for Engineering and Technology (ABET).
- The chemistry program in the School of Science is approved by the Committee on Professional Training (CPT) of the American Chemical Society (ACS).
- The graduate program communicative sciences and disorders in the School of Science is accredited by the Council on Academic Accreditation in Audiology and Speech-Language Pathology (CAA) of the American Speech-Language-Hearing Association (ASHA).
- The physical therapy program in the School of Science is accredited by the Commission on Accreditation in Physical Therapy Education (CAPTE).
- The Scripps Howard School of Journalism and Communications is accredited by the Accrediting Council on Education in Journalism and Mass Communications (ACEJMC).
- The teacher education programs in the School of Education and Human Development are accredited by the National Council for Accreditation of Teacher Education (NCATE).

Student Enrollment

The University's total student headcount enrollment for the current and each of the last five academic years were as follows:

Student Headcount Enrollment				
Academic Year	***Undergraduate***	***Graduate***	***Total***	***Total % Change Per Year***
2014-2015	3,504	896	4,400	(4.80)%
2013-2014	3,742	880	4,622	(3.00)%
2012-2013	3,851	914	4,765	(8.70)%
2011-2012	4,265	956	5,221	(0.62)%
2010-2011	4,361	893	5,254	(2.70)%
2009-2010	4,565	837	5,402	(0.05)%

The University's decline in enrollment during the past five years is attributable to several factors. Initially, to ensure that the quality of instruction and academic experiences of students enrolled remained consistent with the University's mission (arising, in particular, out of student/teacher ratios), the University strategized to purposefully reduce undergraduate enrollment to hover around its targeted enrollment level of approximately 5,000 undergraduate students. However, a then-ensuing weak national economy, and flat funding streams from the federal government (including no significant increases in the federal Pell Grant program), each of which were unanticipated, prevented many students from enrolling because they were unable to afford educational expenses.

Additionally, in October 2011, the U.S. Department of Education (the "DOE") added new, stronger underwriting standards for the Federal Direct PLUS Loan ("PLUS Loan") Program which provides educational loans to parents of dependent undergraduate students, as well as graduate students. The new underwriting standards affected, primarily, applicants with so-called "adverse credit histories." Although this was not a regulatory update by the DOE, the result was an increase in denials of applicants for PLUS Loans (including applicants who had been approved in prior years), and therefore, a decrease in perspective students' ability enroll, or re-enroll, and pay college and university tuition. Much like students nationwide, many of the University's students have relied upon the PLUS Loan to assist in financing their educations. Thus, the inability of certain perspective students or their parents to qualify for and receive a PLUS Loan is a major factor in declining enrollments from 2011 to present. However, on October 22, 2014, the DOE announced publication of a final rule, which is intended to strengthen the PLUS Loan Program and, hopefully, correct the effects of the previously described changes. Among other things, "[t]he final regulations update the definition of "adverse credit history" for PLUS loan applicants, and implement a streamlined application process for borrowers to obtain a PLUS loan, specifically for those with adverse credit histories."[1] The final regulations will go into effect on July 1, 2015.

Although the University has experienced declining enrollments, it is important to note that this trend has affected most of the private colleges in the state of Virginia. However, based on the Council of Independent Colleges for Virginia ("CICV") report, over the past two years, Hampton's new student enrollment numbers have been larger than most other private colleges in Virginia.

The University's full-time student equivalent enrollments for the current and each of the last five academic years were as follows:

[Table Appears on Following Page]

[1] U.S. Department of Education Press Release, October 22, 2014, "U.S. Education Department Announces Final Rule to Strengthen Federal Direct PLUS Loan Program"

Student Full Time Equivalent Enrollment				
Academic Year	***Undergraduate***	***Graduate***	***Total***	***Total % Change Per Year***
2014-2015	3,393	764	4,157	(4.60)%
2013-2014	3,619	737	4,356	(2.00)%
2012-2013	3,679	766	4,445	(8.20)%
2011-2012	4,044	800	4,844	(0.96)%
2010-2011	4,222	669	4,891	(3.00)%
2009-2010	4,383	659	5,042	(0.02)%

Full Time Equivalent ("FTE") enrollment differs from Headcount enrollment in that FTE measures enrollment based on how many students taking full course loads would generate a given number of measured credit hours, whereas Headcount enrollment is based on the number of individuals who have paid fees and enrolled in classes. FTE enrollment includes on-campus enrollment, plus the University's distance/online program enrollment of 232. FTE enrollment is typically used for University and governmental budgeting, facilities and resource allocation determinations.

Undergraduate, transfer and graduate applications, acceptances and matriculations for the University are set forth below for the current and the previous five academic years.

Transfers					
Academic Year	***Applications Received***	***Accepted***	***Percentage of Acceptance to Applications***	***Enrolled***	***Percentage of Enrollments to Acceptances***
2014-2015	1,501	294	19.59%	69	23.47%
2013-2014	1,862	372	19.98%	199	53.49%
2012-2013	1,638	313	19.11%	156	49.84%
2011-2012	1,358	414	30.49%	243	58.70%
2010-2011	1,155	422	36.54%	205	48.58%
2009-2010	900	395	43.89%	172	43.54%

First-Time Undergraduate					
Academic Year	***Applications Received***	***Accepted***	***Percentage of Acceptance to Applications***	***Enrolled***	***Percentage of Enrollments to Acceptances***
2014-2015	19,473	5,659	29.06%	882	15.58%
2013-2014	15,337	5,529	36.05%	1,211	21.90%
2012-2013	14,503	5,285	36.44%	1,170	22.13%
2011-2012	10,757	3,917	36.41%	1,323	33.77%
2010-2011	11,037	4,073	36.90%	1,339	32.87%
2009-2010	8,638	3,789	43.86%	1,457	38.45%

Graduate					
Academic Year	***Applications Received***	***Accepted***	***Percentage of Acceptance to Applications***	***Enrolled***	***Percentage of Enrollments to Acceptances***
2014-2015	563	306	54.35%	257	83.99%
2013-2014	570	315	55.26%	279	88.57%
2012-2013	724	410	56.63%	306	74.63%
2011-2012	750	434	57.87%	354	81.57%
2010-2011	901	540	59.93%	343	63.52%
2009-2010	691	416	60.20%	361	86.78%

Mean Educational Testing Service Scholastic Aptitude Test (SAT) scores for entering classes for the current and the five previous academic years were as follows:

SAT Scores		
Academic Year	***Hampton University***	***National****
2014-2015	1,008	1,010
2013-2014	1,015	1,010
2012-2013	1,030	1,010
2011-2012	1,056	1,011
2010-2011	1,061	1,017
2009-2010	1,050	1,016

* Source: College Board

The University maintains an active student retention program designed to assist the student body in adjusting to life at the University. Although the University believes its efforts are generally successful, students do decide to leave the University for many different reasons. The University's current overall retention rate is 68%. When compared to other schools within its tier, the University is within the top 5 to 10% range in terms of retention, as reported by U.S. News & World Report. For the period covering Fall 2009 through Fall 2014, the University's student retention rates were as follows:

Rates	
Retention Period	***Freshman to Sophomore***
2014 – 2015	68%
2013 – 2014	76%
2012 - 2013	75%
2011 - 2012	75%
2010 - 2011	75%
2009 – 2010	79%

Tuition and Fees

The following table shows the University's actual tuition, fees and room and board charges for the current and the previous five academic years:

Tuition and Fees				
Academic Year	***Tuition***	***Fees***	***Room and Board***	***Total***
2014-2015	$19,548	$2,212	$9,692	$31,452
2013-2014	18,618	2,106	9,230	29,954
2012-2013	17,732	2,006	8,790	28,528
2011-2012	16,888	1,910	8,370	27,168
2010-2011	16,238	1,836	8,048	26,122
2009-2010	15,464	1,748	7,664	24,876

Competing Institutions

The University maintains a list of the 11 colleges and universities that it believes are its main competitors for students based on acceptances at other colleges of students that enroll in the University. Listed below are the competing institutions and the University's collected data regarding their tuition and fees and room and board for the 2013-2014[1] academic year.

School	Tuition and Fees	Room and Board	Total
Clark Atlanta University	$21,100	$ 8,956	$30,056
College of William & Mary*	38,440	9,816	48,256
Howard University	22,883	10,364	33,247
Morehouse College	25,879	13,180	39,059
Morgan State University*	16,632	9,126	25,758
North Carolina A&T State University*	17,879	7,644	25,523
Spelman College	24,634	11,945	36,579
Tuskegee University	19,340	9,440	28,780
University of Richmond	45,320	10,270	55,590
University of Virginia*	39,794	15,892	55,686
Xavier University – Louisiana	21,910	9,820	31,730

[1] The University was unable to obtain 2014-2015 data.

* Tuition and fees represent out of state rates.

Financial Aid

The University provides numerous scholarships and grants assistance for students. Approximately, 54% of the undergraduate students received scholarships and grants during the academic year 2013-14.

Although the University receives funding from a variety of student aid programs, the bulk of the funding is derived from the U.S. Department of Education, Title IV, and Student Financial Aid. Consequently, the University is an eligible institution and participates in the following student financial aid programs: Pell Grant, Direct Loans, Perkins Loan, Supplemental Educational Opportunity Grant, Teach Grant, and College Work-Study.

UNIVERSITY FINANCES

Financial Reporting

The audited financial statements of the University as of and for the fiscal year ended June 30, 2013 (including notes thereto), and the report of KPMG, LLP thereon, are presented in Appendix B to this Official Statement. This Appendix A contains unaudited financial information with respect to the fiscal year ended June 30, 2014, based on draft financial statements pending the conclusion of the audit of the consolidated financial statements of the University for such fiscal year. The audit for the fiscal year ended June 30, 2014 has not been concluded as of the date of this Official Statement.

Operating Results for Fiscal Years 2014, 2013, 2012, 2011 and 2010

Set forth below is a summary of the University's Consolidated Statements of Unrestricted Activities and changes in Net Assets for the fiscal years ended June 30, 2014 (unaudited), 2013, 2012, 2011, and 2010, that have been derived from the University's audited financial statements for such years.

The financial information set forth below includes the accounts of Hampton Roads Proton Therapy Institute at Hampton University, LLC, a single-member limited liability company in which the University is the single member, which operates the Institute. See "Hampton University Proton Therapy Institute," below.

The financial information set forth below also includes the accounts of Hampton Harbor, Inc. ("Hampton Harbor"), a wholly-owned subsidiary of the University. See "Investment in Hampton Harbor," below.

Further, set forth below is information regarding the financial position of Harbour Centre, a 14 story commercial office building owned by the University. See "Harbour Centre," below.

[Table Appears on Following Page]

	Unrestricted Activities for Fiscal Years				
	*2014**	*2013*	*2012*	*2011*	*2010*
Revenues and support:					
Gross tuition and fees	$ 83,228,737	$ 82,406,105	$ 83,634,298	$ 82,230,145	$ 80,157,274
Less discounts on tuition and fees	(30,069,949)	(28,949,681)	(27,153,974)	(26,396,884)	(24,803,293)
Tuition and fees, net	$ 53,158,788	$ 53,456,424	$ 56,480,324	$ 55,832,261	$ 55,353,981
Federal grants and contracts	27,417,422	36,407,646	32,911,946	31,352,047	39,133,432
Private gifts, grants and contracts	18,271,788	17,891,252	26,998,618	9,771,691	7,848,671
HUPTI net patient service revenue	15,925,000	16,811,000	17,919,000	4,657,060	
Investment income	6,653,416	7,238,060	12,017,272	11,111,818	8,399,571
Realized gains (losses) on investments, net	15,754,967	7,495,207	5,377,042	8,210,544	(2,786,632)
Unrealized gains (losses) on investments, net	20,736,818	16,274,061	(14,021,178)	23,221,519	29,717,721
Sales and services of education departments	5,029,879	4,283,908	5,953,350	5,935,233	5,210,314
Sales and services of auxiliary services	21,060,408	19,571,871	20,083,803	20,386,838	20,847,133
Loan Interest Income	132,543	120,205	151,545	107,749	154,432
Net Assets Released from Restrictions	1,046,356	3,388,688	2,267,875	6,171,941	3,697,307
Total revenues and support	$ 185,187,385	$ 182,938,322	$ 166,139,597	$ 176,758,701	$ 167,575,930
Program Services:					
Instructional	$ 41,224,454	$ 42,088,519	$ 42,968,441	$ 41,520,354	$ 39,457,653
Research	14,406,861	12,847,626	14,425,932	13,196,483	22,081,561
HUPTI patient services	22,838,000	22,448,000	16,788,819	8,621,187	
Public services	3,525,182	3,346,487	3,505,153	3,577,653	3,857,893
Libraries and museums	6,004,321	5,575,193	6,391,525	5,284,091	4,987,235
Student services	14,658,907	14,490,210	14,124,611	14,987,065	15,001,915
Total program services	$ 102,657,725	$ 100,796,035	$ 98,204,481	$ 87,186,833	$ 85,386,257
Management and General:					
Academic support	$ 5,089,338	$ 5,598,870	$ 3,856,801	$ 4,345,595	$ 3,750,052
Institutional support	22,619,922	32,025,306	41,836,193	31,113,080	33,548,780
Auxiliary services	16,668,365	15,700,933	17,385,304	17,537,405	19,189,275
Loss on defeasance of bonds	-	9,641,000	-	-	-
Total Management and General	$ 44,377,625	$ 62,966,109	$ 63,078,298	$ 52,996,080	$ 56,488,107
Total Expenses	$ 147,035,350	$ 163,762,144	$ 161,282,779	$ 140,182,913	$ 141,874,364
Net Income	38,152,035	20,004,982	9,492,438	38,177,206	28,480,402
Net Assets at beginning of year	444,570,627	424,565,645	415,073,207	376,896,001	348,415,599
Net Assets at end of year	$ 485,279,953	$ 444,570,627	$ 424,565,645	$ 415,073,207	$ 376,896,001

* June 30, 2014, preliminary and unaudited.

Operating and Capital Budget

Fiscal Year 2014 Operating and Capital Improvement Budget

The University's Board adopts its Operating and Capital Improvement Budget in April of each year. The budget is then reviewed throughout the fiscal year in relation to actual performance. As modifications to the approved budget are necessary due to revenue and/or expenditure changes, the budget is modified to reflect these changes and approved by the Board.

The University's budgeted expenditures for operations, capital improvements, and debt service for the fiscal year ended June 30, 2014, were as follows, with comparisons to actual numbers shown below:

Expenditures		
	Budget 2013-2014	**Actual 2013-2014**
Educational and General	$124,877,000	$115,613,849
Auxiliary Services	13,888,000	16,668,365
Student Aid	27,100,000	30,069,949
Debt Service Costs	8,695,000	8,149,239
Capital Improvements	5,543,000	8,065,307
Total Expenditures	$180,103,000	$178,566,709

The University's budgeted revenue receipts for the fiscal year ending June 30, 2014 were as follows, with comparisons to actual numbers shown below:

Revenue		
	Budget 2013-2014	**Actual 2013-2014**
Student Tuition and Fees, net	$88,459,000	$83,228,737
Federal and Private Gifts, Grants Contracts	43,280,000	45,689,210
Auxiliary Services	22,312,000	21,060,408
Other (Investment income and sales and services of educational activities)	26,057,000	28,787,194
Total Revenue	$180,108,000	$178,765,549

Budget Discussion

As indicated in the chart above, total revenue reflects $178,765,549 and total expenditures are $178,566,709. There are a few selected sources of revenues and categories of expenditure noted in the chart to highlight. Tuition and fees and auxiliary services including room and board were down due to the decline in enrollment (see "Student Enrollment," above). The University has responded by moving forward in fiscal year 2015 with more aggressive enrollment management. In grants and contracts, the University received a $13.5 million award for the Minority Men's Health Initiative grant that supports research on prostate cancer, cardiovascular disease, obesity, diabetes, melanoma in Hispanics, and violence prevention. There were several other incremental awards funded this past year, including the NASA – Aeronomy of Ice in the Mesosphere Mission, the National Science

Foundation – Advanced Laser Science, the National Science Foundation – Robotics Technology Impact, and the Department of Education Leadership Academy. The University continues to encourage its faculty and administrators to write and receive grant funding. On the expenditure side, the University was very cost conscious and reduced expenditures by implementing several cost measures, including a freeze on travel, equipment spending and hiring. Due to its sound management, financial operations were within acceptable parameters with the University meeting its financial obligation. The University will continue to focus on reducing cost and operating within its available resources.

In fiscal year 2015 to date, the University has been awarded the First in the World Grant for $3.5 million from the Department of Education, a $1.5 million grant for the National Institute of General Medical Sciences to fund the maximize the access to research careers, and a $1.0 million grant from Health Resources and Services Administration for behavioral health workforce education and training.

Fiscal Year 2015 Operating Budget

The University's budgeted expenditures and revenues for the current fiscal year ending June 30, 2015 are shown in the following two charts.

Expenditures	
	Budget 2014-15
Educational and General	$122,280,000
Auxiliary Services	13,590,000
Student Aid	28,450,000
Debt Service Costs	13,100,000
Capital Improvements	3,700,000
Renewal and Replacement	1,883,000
Total Expenditures	$ 183,003,000

Revenue	
	Budget 2014-15
Student Tuition and Fees, net	$89,678,000
Federal Grants and Contracts	35,800,000
Auxiliary Services	21,895,000
Other (Gifts, grants, investment income and sales and services of educational activities)	35,630,000
Total Revenue	$183,003,000

Investment in Hampton Harbor

Included in the University's Statement of Financial Position and Statement of Activities and Changes in Net Assets (see the audited financial statements of the University in Appendix B) are the assets and liabilities of Hampton Harbor and the net results of the operations of Hampton Harbor. Hampton Harbor, Inc., a wholly-owned subsidiary formed in 1989, owns and operates a 246-unit apartment complex and a retail center located adjacent to the University. Prior to February 2005, the University had financed the investment in Hampton Harbor with a loan from the University's Endowment Funds and a loan from an Urban Development Action Grant. As Hampton Harbor is wholly owned by the University, the accounts of Hampton Harbor are included in the University's Statement of Financial Position and the loan receivable/payable was eliminated in consolidation. In February 2005, the University secured $8,000,000 of external financing for Hampton Harbor, the proceeds of which were returned to the University's Endowment Funds for reinvestment. The assets and liabilities and net results of operations of Hampton Harbor are included in the University's audited financial statements. Shown below is a summary of the assets and liabilities of Hampton Harbor.

	2014*	***2013***
Assets:		
Net Property	$ 6,757,577	$ 6,171,162
Other	1,668,609	1,764,021
	$ 8,426,186	$ 7,935,183
Liabilities and Unrestricted Net Assets:		
Total Liabilities	$ 7,165,091	$ 7,443,074
Unrestricted Net Assets	1,261,095	492,109
	$ 8,426,186	$ 7,935,183

* June 30, 2014, preliminary and unaudited

Harbour Centre

The Harbour Centre complex, acquired by a donation to the University, is a 14-story multi-tenant office building located in downtown Hampton. The accounts of Harbour Centre, which are included in the consolidated statements of financial position at June 30, 2014 and 2013, include the following:

		2014*		***2013***
Assets:				
Cash and cash equivalents	$	80,195	$	102,355
Tenants and other accounts receivable		39,567		213,787
Property and equipment, net		21,932,682		22,481,242
Other assets, net		125,410		121,761
Total assets	$	22,177,854	$	22,919,145
Liabilities and unrestricted net assets:				
Accounts payable and accrued expenses	$	79,174	$	53,385
Refundable tenant security deposits		26,063		26,838
Note payable		7,979,652		8,444,756
Total assets	$	8,084,889	$	8,524,979
Unrestricted net assets		14,092,965		14,394,166
Total liabilities and unrestricted net assets	$	22,177,854	$	22,919,145

* June 30, 2014, preliminary and unaudited

Endowment and Investments

The University's Endowment Funds and other investments have grown over the last five years with particularly strong results in Fiscal Year 2014.

Current value for debt and equity securities is quoted using market price; current value for cash, temporary investments, and mortgages is quoted on a cost basis. The market value of land and real estate held by the University is considered to be cost until an appraisal is performed in contemplation of a transfer of interest.

Investments at June 30, 2014, 2013, 2012, 2011 and 2010 are summarized below

Fair Value									
	2014	% Change	2013	% Change	2012	% Change	2011	% Change	2010
Cash & Cash Equivalents	$15,664,798	105%	$7,637,606	(37)%	$12,105,831	(37)%	$19,236,719	140%	$8,016,175
Mutual funds	40,380,630	10%	36,653,471	(15)%	43,113,232	(13)%	49,430,167	(33)%	74,027,355
Governmental and Corporate Obligations	9,273,072	7%	8,637,384	(5)%	9,113,393	5%	8,663,860	5082%	167,177
Common stocks	71,999,124	18%	60,760,010	15%	52,899,079	(18)%	64,415,448	19%	54,163,449
Limited Partnerships and Other	84,954,195	11%	76,270,522	(4)%	79,748,308	(1)%	80,576,222	45%	55,396,159
Common collective trusts	45,126,327	19%	38,073,363	67%	22,773,820	10%	20,719,488	40%	14,805,255
Other funds	18,560,161	13%	16,440,228	345%	3,694,274	(3)%	3,815,567	(52)%	7,918,196
Other investments	12,010,134	(8)%	13,118,935	(6)%	13,937,078	51%	9,225,883	(5)%	9,746,740
Total Investments – Fair Value	$297,968,441		$257,591,519		$237,385,015		$256,083,354		$224,240,506

Mutual funds consist of investments in common stocks, fixed-income securities, money market instruments, and managed balanced portfolios. Investments in limited partnerships are stated at fair value, which is determined by the share value reported by the custodians, which is based on the fair value of the underlying assets. The investment in the real estate note receivable is valued at cost, which approximates fair value. Other funds consist of investments in an open-ended fund, a fund of funds and a hedge fund.

Investment Policy

The University has an established Investment Policy which is managed by the Investment Committee of the University's Board. The Investment Policy has established a prudent framework of safeguarding Endowment Funds' principal and maximizing investment return over the long-term, and is the guiding principle in the choice of investments.

The primary objectives of the Endowment Funds shall be to maximize the long run total return on invested funds so as to earn a real return of at least 5% and to provide a reliable source of operating funds to the University. At this time, the Committee has established the following maximum and minimum range for various assets as shown below.

	Minimum	Target	Maximum	Actual Target 9/30/2014
Equity Investments	60%	70%	80%	78%
Fixed Income	10	20	30	15
Real Estate	5	10	15	7
Cash Equivalent	0	0	5	0

	Minimum	Target	Maximum	Actual Target 9/30/2014
U.S. Stocks	15%	30%	45%	25%
Foreign Stocks	10	20	30	20
Alternative Equity	10	20	30	25

Plant Assets

The following tabulation presents carrying values of the University's land, buildings, furniture and equipment, before and after depreciation, for the past five fiscal years:

Plant Assets					
	*2014**	*2013*	*2012*	*2011*	*2010*
Land	$ 2,895,155	$ 2,895,155	$ 2,895,153	$ 2,130,153	$ 2,130,153
Buildings	403,683,207	384,581,555	346,057,578	333,300,108	239,193,961
Cottages	7,274,538	7,067,782	4,982,397	4,971,017	4,792,770
Fixed equipment	15,254,376	13,942,861	13,241,918	13,000,556	12,721,558
Moveable equipment	169,338,785	164,614,648	153,046,533	114,674,140	62,995,470
Construction in progress	9,197,191	18,549,700	46,819,289	45,232,788	142,827,285
Gross Plant Assets	$607,643,252	$591,651,701	$567,042,868	$513,308,762	$464,661,197
Less: accumulated depreciation and amortization	207,190,046	188,845,701	172,183,721	158,021,100	145,372,147
Net Plant Assets	$400,490,530	$402,806,000	$394,859,147	$355,287,662	$319,289,050

* June 30, 2014, preliminary and unaudited

Outstanding Indebtedness

Bonds Payable

Bonds payable at June 30, 2014 and 2013 consisted of the following:

Issue description	**2014**	**2013**	**Interest Rate**	**Maturity Date**
Educational Facilities Revenue Refunding Bonds, 2005 Series	$12,615,000	$14,180,000	5.00%	2020
Educational Facilities Revenue Refunding Bonds, 2005 Series	3,550,000	3,550,000	5.00%	2025
Educational Facilities Revenue Refunding Bonds, 2003 Series	0	1,815,000	5.00%	2014
Virginia Small Business Financing Authority Revenue and Refunding Bonds, 2010 Series	1,935,000	2,375,000	2.56%	2018
Historically Black Colleges and Universities Capital Financing Program, Future Advance Project Funding Bond, Series A 2013-2*	56,709,671	57,604,377	2.90%	2040
Virginia Small Business Financing Authority Revenue and Refunding Bonds, 2009 Series**	50,000,000	50,000,000	1.78% (variable)	2039
Virginia Small Business Financing Authority Revenue and Refunding Bonds, 2008A Series***	70,000,000	70,000,000	0.04% (variable)**	2038
As of June 30, 2014, and June 30, 2013	**$194,609,671**	**$199,524,377**		

* *See "HBCU Loan Program," below, for a description of this bond and the security therefor.*

** *These bonds will be refunded with proceeds of the Series 2014 Bonds.*

*** *The variable rate of interest is hedged by an interest rate swap with PNC Bank, National Association. The swap will be terminated in connection with the redemption of the Series 2008A Bonds.*

Aggregate annual maturities of bonds payable at June 30, 2015 are as follows:

2015	$ 6,746,357
2016	7,112,881
2017	7,377,624
2018	7,653,666
2019	7,426,042
Thereafter	158,293,101
	$ 194,609,671

HBCU Program Loan

In May 2013, the University incurred debt through the U.S. Department of Education – Historically Black Colleges and Universities Capital Financing Program ("HBCU Program") by borrowing the proceeds of that certain Historically Black Colleges and Universities Capital Financing Program, Future Advance Project Funding Bond, Series A 2013-2 (the "DOE Bond") described in the chart under "Bonds Payable," above. A portion of the proceeds from the DOE Bond, along with the remaining proceeds from the Virginia Small Business Financing Authority Revenue Bonds, 2009 Series Bonds, were placed into an escrow account and were used to legally defease the 2009 Series Bonds. As a result of the transaction, the University recorded a loss on defeasance of bonds totaling $9,641,000, which was based on the excess of the required bond payoff of $61,500,000 over the carrying amount of the 2009 Series Bonds. The loss on defeasance represents the sum of the remaining unamortized bond discount and cost of issuance on the 2009 Series Bonds at May 31, 2013 and a prepayment penalty along with interest payments due through fiscal year 2014. The University defeased the 2009 Series Bonds, which bore interest ranging from 8.25% to 9.25%, and recorded the debt with a more favorable fixed interest rate of 2.90%.

In connection with the DOE Bond, the University pledged (i) the revenues of the Institute after operating expenses, (ii) the revenues from the auxiliary enterprises of the University (including, but not limited to, all revenues derived from food services, student center facilities, student housing and campus services) in each case after operating expenses for such auxiliary enterprises, and (iii) the real property on which the Institute is located.

Notes Payable

Hampton Harbor Apartments

In February 2005, the University on behalf of Hampton Harbor obtained a multifamily note payable to be repaid in equal monthly installments of principal and interest totaling $46,635. The multifamily note payable carried interest at a fixed rate of 5.74% and was secured by the apartments. The balance of the note payable at June 30,2014 and 2013 was $6,842,382 and 6,998,758, respectively.

Subsequent to fiscal year end, in August 2014, the University refinanced the multifamily note with proceeds of an unsecured promissory note in the original principal amount of $6,983,701, issued pursuant to a Commercial Loan Agreement dated as of August 15, 2014, between the University and SunTrust Bank. Such refinancing note bears interest at a rate per annum equal to the sum of the 1-month LIBOR plus 1.90%. The note is payable in equal monthly installments of principal and interest totaling $23,667, with the remaining balance due in August 2024.

Mortgage Note - U.S. Department of Education

In March 1997, the University issued a mortgage note payable to the U.S. Department of Education in the amount of $2,875,000. The note requires semiannual payments of $98,383, which include interest at a fixed rate of 5.5% per annum, which began in July 1997 and will end on January 1, 2027. The balance of the note at June 30, 2014 and 2013 was $1,803,372 and $1,897,451, respectively. The note is collateralized by a deed of trust on Virginia-Cleveland Hall, a dormitory building. The principal payment dates of the mortgage note payable from the Department of Education as of June 30, 2015 are as follows:

2015	$ 98,526
2016	104,020
2017	109,819
2018	115,942
2019	122,407
Thereafter	1,252,658
	$ 1,803,372

Private Gifts, Grants and Contracts to the University

The University was the beneficiary of private gifts, grants and contracts in aggregate value exceeding $482,000,000 as of the close of Fiscal Year 2014 (unaudited).

Private Gifts, Grants and Contracts					
	2014*	***2013***	***2012***	***2011***	***2010***
Unrestricted	$414,341,187	$379,250,101	$360,073,923	$355,217,105	$318,641,317
Temporarily Restricted	14,162,827	13,252,427	13,044,352	10,111,568	9,928,013
Permanently Restricted	53,714,990	52,068,099	51,447,370	49,744,534	48,326,671
	$482,219,004	$444,570,627	$424,565,645	$415,073,207	$376,896,001

* Unaudited

Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were $1,046,356 and $3,388,688 for the years ended June 30, 2014 (unaudited) and 2013, respectively.

Pension Plans

Substantially all of the salaried employees of the University are eligible after specified periods of employment to participate in a defined contribution pension plan with The Teachers' Insurance and Annuity Association of America and the College Retirement Equities Fund (TIAA/CREF). The plan's benefits are funded through purchase of individual insurance annuity policies. University contributions to the plan are based on percentages of qualified employee earnings. University contributions to this program were approximately $1,300,000 and $1,329,000 for the fiscal years ended June 30, 2014 (unaudited) and 2013, respectively.

Capital Campaign

The Capital Campaign for Hampton University is a $150 million comprehensive campaign to support the University's strategic plan. The Campaign is scheduled to take place over a five year period. The Campaign began in 2013 and will end in 2018. The campaign goal is to obtain new institutional resources, programming, laboratory facilities, and scientific instrumentation to undergird and support cutting-edge advanced learning and future scientific research. Scientific instrumentation and electronic technologies will expand Hampton's mission through far more sophisticated training and research at all levels. The campaign is currently in its "silent phase" and the timing for public rollout is anticipated to be sometime in calendar year 2015, with the exact date determined by the pace of success in the silent phase.

The campaign will also add new dimensions of excellence to our leadership role in science and health care, and to attract more distinguished scholars and researchers to teach and explore new knowledge, to enhance the technology infrastructure for teaching and research, and to attract and retain the best and brightest learners.

Hampton Roads Proton Therapy Institute

The Hampton Roads Proton Beam Therapy Institute at Hampton University, LLC, a wholly owned subsidiary of the University, was established on May 23, 2005, as a not-for-profit Virginia limited liability company for the purpose of owning and operating the Institute, a cancer treatment center using proton beam radiation therapy. The Institute operates in a 98,000 square-foot specialized treatment, education, training, and research facility, located at 40 Enterprise Parkway, Hampton, Virginia, on land that was donated by the Industrial Development Authority of the City of Hampton, Virginia. The Institute treats cancer patients with proton radiation, conducts educational and training programs, and engages in research for different kinds of cancers, such as prostate, breast, brain, head, neck, spine, and pediatric cancers. According to the Particle Therapy Co-Operative Group, the Institute is one of only 16 such treatment centers currently in operation in the United States, only 3 of which are located in the Mid-Atlantic region.

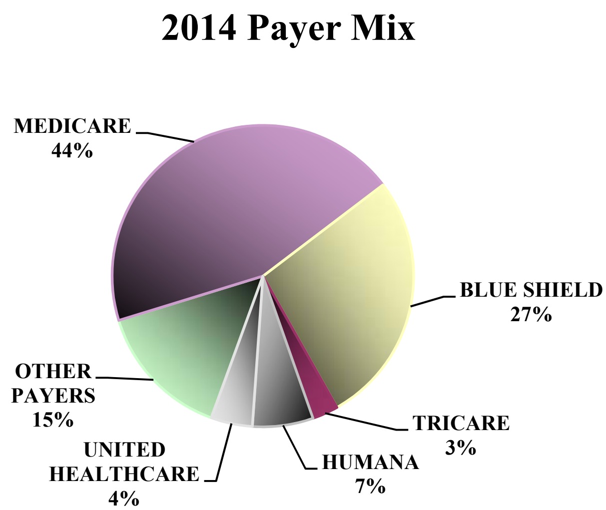
The University initiated a proton therapy center recognizing the University's expertise in academic programs in physics and similar sciences, its reputation as one of the leaders in scientific project management, the strong research orientation of the University, and the University's long standing relationship with the local cancer treatment community in Hampton Roads. Another factor was that the Hampton Roads area has one of the nation's highest prostate cancer death rates and the City of Chesapeake, Virginia at the time ranked number one in colon cancer deaths; the University believed this project was a natural extension of its mission to the community which it serves. The Institute also houses certain instructional facilities for University programs.

The Institute's treatment center consists of a room for the cyclotron (the main equipment of the proton beam system) and five separate treatment rooms consisting of a Fixed Beam Room and four Gantry rooms. The Proton Beam equipment was provided and installed by IBA Proton Therapy, Inc., a Belgium company recognized as the world's leader in proton beam equipment and technology, supplying more than half of all the treatment facilities worldwide. Currently, commissioning of Pencil Beam Scattering (PBS) is on-going at the Institute and is projected to be completed in early 2015. Implementation of PBS provides the Institute with the state of the art technology keeping it competitive with newer centers that are being built.

The overall initial cost of the Institute, exclusive of all financing costs, Debt Service Reserve Funds, and capitalized interest was approximately $204 million. The costs of construction and equipping the Institute, and of preliminary working capital, were financed with debt issuances. The Series 2008A

Bonds and 2009 Bonds financed portions of the costs, together with prior bonds upon which the Institute was directly obligated, but which have since been refinanced with an HBCU Program loan (described in "Bonds Payable," above). The University is now the owner of the real property on which the Institute is operated and is the only obligor under all outstanding debt related to the development of the Institute.

The Institute began treating patients and commenced operations in August 2010. The collection of patient revenues is through agreements with third party payors, including agreements with commercial insurance providers and managed care organizations. A breakdown of payer mix is set forth below.



In September 2014, the Institute treated its one-thousandth patient and it treats, on average, 50 patients per day, which represents an increase from Fall of 2013 when the Institute was averaging 40 patients per day. The long-term goal for the Institute is to reach an average of 100 patients per day. Efforts are currently underway to increase patients under treatment by increasing physician referrals through local and regional health systems and physician groups.

The Institute is also marketing and branding its efforts which include TV (network and cable), seminars, and physician and community awareness activities. Public information documents, seminars, tours, talks, and health fairs that include early detection screenings are also made available at the Institute.

The Institute has several specialized treatment contracts with external entities including the Strategic Alliance Holdings ("SAH"). SAH facilitates the referral of international patients to the Institute from the Middle East, North Africa and some Asian countries. SAH recently contracted with Saudi Arabia, which refers more than 1,000 patients to this country each year for cancer treatment. The Institute treats pediatric patients in coordination with the Children's Hospital of the King's Daughters (CHKD) which provides anesthesia services and chemotherapy treatments. Additionally, the Institute is aggressively seeking a contractual relationship with the Veterans Administration to provide proton therapy as a cancer treatment option to area veterans. According to the U.S. Department of Veterans Affairs, National Center for Veterans Analysis and Statistics, Hampton Roads and Northeastern North Carolina areas have the second highest concentration of retired veterans in the United States.

The Institute has been operating with net losses (expenses exceeding revenues) since its opening. However, the Institute expects such losses to decline and for revenues to exceed expenses beginning in Fiscal Year 2015, with greater increases to occur thereafter.

A projection of the revenues and expenses of the Institute for the following five years is set forth below:

($ in Thousands)	**2015**	**2016**	**2017**	**2018**	**2019**
Total revenues	$ 16,000	$ 17,600	$ 19,360	$ 21,296	$ 23,426
Staffing, benefits, and related cost	3,461	3,531	3,601	3,673	3,747
General and administrative	12,365	12,984	13,633	14,314	15,030
Total expenses	$ 15,826	$ 16,515	$ 17,234	$ 17,987	$ 18,777
Net revenues	$ 173	$ 1,086	$ 2,126	$ 3,308	$ 4,649

Note: totals may not foot due to rounding amounts.

LITIGATION

In the opinion of the University's administration, there are no legal actions pending or threatened against the University that, even if adversely determined against the University, would have a material adverse effect on the University's financial position.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidated Financial Statements and Supplemental Schedules

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

HAMPTON UNIVERSITY AND SUBSIDIARIES

Table of Contents

KPMG

KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Trustees
Hampton University:

We have audited the accompanying consolidated financial statements of Hampton University and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Hampton University and subsidiaries as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

November 30, 2013

HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidated Statements of Financial Position

June 30, 2013 and 2012

Assets	**2013**	**2012**
Cash	$ 10,261,208	1,781,552
Restricted cash equivalents	8,614,774	31,160,858
Student, patient and other accounts receivable, less allowance for doubtful accounts of $3,000,000 at June 30, 2013 and 2012	8,569,312	8,458,049
U.S. government grants receivable, less allowance for doubtful accounts of $3,000,000 at June 30, 2013 and 2012	11,093,799	10,240,129
Accrued investment income	288,778	304,097
Inventories	1,661,586	1,624,464
Prepaid expenses and other assets	2,562,395	2,309,383
Contributions receivable, net (notes 5 and 6)	1,848,135	2,418,739
Student loans receivable	10,265,561	10,001,465
Investments (notes 2 and 11)	257,591,519	237,385,015
Debt issuance costs, net	1,432,120	4,117,382
Property and equipment, net (notes 3, 4, 7 and 9)	402,806,000	394,859,147
Total assets	$ 716,995,187	704,660,280
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 11)	$ 36,729,057	45,369,472
Deferred revenue	19,467,958	19,654,275
Notes payable (note 9)	8,896,209	9,134,591
Bonds payable (notes 5 and 8)	199,524,377	199,650,000
Net bond issuance premium (discount)	703,249	(384,342)
Grants refundable	7,103,710	6,670,639
Total liabilities	272,424,560	280,094,635
Net assets (note 16):		
Unrestricted (notes 3 and 4)	379,250,101	360,073,923
Temporarily restricted (note 12)	13,252,427	13,044,352
Permanently restricted (note 13)	52,068,099	51,447,370
Total net assets	444,570,627	424,565,645
Commitments and contingencies (notes 2 and 15)		
Total liabilities and net assets	$ 716,995,187	704,660,280

See accompanying notes to consolidated financial statements.

HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2013 and 2012

		2013	2012
Revenues and support:			
Gross tuition and fees	$	82,406,105	83,634,298
Less discounts on tuition and fees		28,949,681	27,153,974
Tuition and fees, net		53,456,424	56,480,324
Federal grants and contracts		36,407,646	32,911,946
Private gifts, grants and contracts		17,891,252	26,998,618
HUPTI net patient service revenue		16,811,000	17,919,000
Investment income		7,238,060	12,017,272
Realized gains on investments and property, net		7,495,207	5,377,042
Unrealized gains (losses) on investments, net		16,274,061	(14,021,178)
Sales and services of educational departments		4,283,908	5,953,350
Sales and services of auxiliary enterprises		19,571,871	20,083,803
Loan interest income		120,205	151,545
Net assets released from restrictions (note 14)		3,388,688	2,267,875
Total revenues and support		182,938,322	166,139,597
Expenses (note 10):			
Program services:			
Instructional		42,088,519	42,968,441
Research		12,847,626	14,425,932
HUPTI patient services		22,448,000	16,788,819
Public services		3,346,487	3,505,153
Libraries and museum		5,575,193	6,391,525
Student services		14,490,210	14,124,611
Total program services		100,796,035	98,204,481
Management and general:			
Academic support		5,598,870	3,856,801
Institutional support		32,025,306	41,836,193
Auxiliary services		15,700,933	17,385,304
Loss on defeasance of bonds		9,641,000	—
Total management and general		62,966,109	63,078,298
Total expenses		163,762,144	161,282,779
Changes in unrestricted net assets		19,176,178	4,856,818
Temporarily restricted net assets:			
Private gifts, grants and contracts		3,219,761	5,271,127
Investment income		36,144	56,441
Realized and unrealized gains (losses) on investments, net		340,858	(126,909)
Net assets released from restrictions (note 14)		(3,388,688)	(2,267,875)
Increase in temporarily restricted net assets		208,075	2,932,784
Increase in permanently restricted net assets – private gifts, grants and contracts		620,729	1,702,836
Increase in net assets		20,004,982	9,492,438
Net assets at beginning of year		424,565,645	415,073,207
Net assets at end of year	$	444,570,627	424,565,645

See accompanying notes to consolidated financial statements.

HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Changes in net assets	$	20,004,982	9,492,438
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Depreciation and amortization of property and equipment		16,661,980	14,162,621
Amortization of bond issuance costs		2,685,262	477,642
Amortization of net bond issuance discounts		1,087,591	64,136
Realized gains on investments, net		(7,836,065)	(5,250,133)
Unrealized (gains) losses on investments, net		(16,274,061)	14,021,178
Contributions restricted for long-term investment		(620,730)	(1,702,836)
Changes in assets and liabilities:			
Student and other accounts receivable		(111,263)	(336,425)
Grants receivable		(853,670)	1,805,547
Accrued investment income		15,319	302,159
Inventories		(37,122)	232,864
Prepaid expenses and other assets		(253,012)	(1,405,415)
Contributions receivable		570,604	(1,335,115)
Accounts payable and accrued expenses		(12,680,053)	(683,889)
Deferred revenue		(186,317)	1,652,038
Net cash provided by operating activities		2,173,445	31,496,810
Cash flows from investing activities:			
Purchases of investments		(82,778,710)	(115,719,769)
Proceeds from sale and maturities of investments		86,682,332	125,647,013
Purchases of property and equipment		(20,569,195)	(49,694,468)
Disbursements for loans to students		(1,145,541)	(937,192)
Repayments of loans by students		881,445	948,882
Net cash used in investing activities		(16,929,669)	(39,755,534)
Cash flows from financing activities:			
Proceeds from issuance of bonds		57,604,377	—
Payments on bonds payable		(3,865,000)	(3,725,000)
Defeasance of bonds		(53,865,000)	—
Payments on notes payable		(238,382)	(224,157)
Proceeds from contributions restricted for long-term investment		620,730	1,702,836
Increase in grants refundable		433,071	—
Net cash provided by (used in) financing activities		689,796	(2,246,321)
Net decrease in cash and restricted cash equivalents		(14,066,428)	(10,505,045)
Cash and restricted cash equivalents at beginning of year		32,942,410	43,447,455
Cash and restricted cash equivalents at end of year	$	18,875,982	32,942,410
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of capitalized interest	$	4,800,956	3,985,723
Purchases of property and equipment included in accounts payable and accrued expenses		1,317,305	4,039,638

See accompanying notes to consolidated financial statements.

(1) The Organization and Summary of Significant Accounting Policies

Hampton University (the University or HU) is a private, coeducational, nonsectarian university located in Hampton, Virginia. The University was founded in 1868 as Hampton Normal and Agricultural Institute. In 1930, the name was changed to Hampton Institute, and it was empowered to grant degrees. In 1984, the name was changed again to Hampton University. The University is comprised of Hampton Institute as the Undergraduate College, the Graduate College, the University College and the College of Virginia Beach.

The University's primary purpose is to provide education, creation of knowledge, and service to society. The University offers a wide range of graduate and undergraduate programs as well as nondegree study. There are approximately 4,300 undergraduate students and 950 graduate students in attendance.

The significant accounting policies followed by the University and its subsidiaries are described as follows:

(a) Principles of Consolidation

The consolidated financial statements include the University's subsidiaries, Hampton Roads Proton Therapy Institute at Hampton University, LLC, d/b/a Hampton University Proton Therapy Institute (HUPTI) and Atlantic Real Estate, LLC (ARE). HUPTI and ARE are single-member limited liability companies in which the University is the single member. HUPTI was formed to develop, construct and operate a facility that will provide proton therapy treatment as a cutting edge technology in the fight against cancer and provide opportunities for research. HUPTI began treating patients and commenced operations in August 2010. ARE owns the Harbour Centre complex, which is a 14-story multi-tenant office building located in downtown Hampton, Virginia. All significant intercompany balances and transactions have been eliminated in consolidation. The University has no involvement with variable interest entities.

(b) Basis of Presentation

The University's consolidated financial statements have been prepared on the accrual basis of accounting. These consolidated financial statements have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions and are segregated into three net asset groups as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the University and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are generally reported as increases or decreases in unrestricted or temporarily restricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets (note 14). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service. If the donor-imposed restrictions are amended by the donor after the date of the original gift, the change in restriction is designated as such, and reclassified accordingly in the year the change became effective.

Contributions, which include unconditional promises to give, are recognized as revenue in the period the promise is made by the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except that contributions of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized.

Contributions and related investment income received by the University with donor-imposed temporary restrictions, which are met within the same reporting period, are reported as unrestricted revenue.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

(c) Restricted Cash Equivalents

Restricted cash equivalents as of June 30, 2013 primarily consist of money market mutual funds. Restricted cash equivalents as of June 30, 2012 primarily consist of money market mutual funds and government obligations from the proceeds of the Virginia Small Business Financing Authority Revenue Bonds 2009 Series related to the construction of HUPTI. Restricted cash equivalents are stated at cost, which approximates fair value.

(d) Receivables

Student receivables are recorded at the time that revenue is recognized and do not bear interest. The allowance for doubtful accounts is the University's best estimate of the amount of probable credit losses in the University's accounts receivable. The University determines the allowance based on historical write-off experience. The University reviews its allowance for doubtful accounts monthly. Past-due balances over 90 days are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and potential for recovery is considered remote.

Patient receivables consist of amounts due from various healthcare entities for services provided and is recorded at the time that revenue is recognized and do not bear interest. Patient receivables are recorded net of allowances for contractual adjustments. The allowance for doubtful accounts is HUPTI's best estimate of the amount of probable credit losses in the Institute's accounts receivable.

(Continued)

HUPTI reviews its allowance for doubtful accounts monthly. Past due balances over 90 days are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and potential for recovery is considered remote.

(e) Investments

Investments are recorded at fair value and primarily include investments in securities and investments in investment funds.

Investments in securities include fixed maturities, equity securities and exchange-traded funds (ETFs). Fair value for these investments is measured based upon quoted prices in active markets, if available. If the market is inactive, fair value is determined by underlying fund managers and reviewed by the University after considering various sources of information. The University analyzes the underlying fund manager's valuation methodologies and related inputs.

Investments in investment funds primarily include investments in hedge funds and private equity funds, such as venture capital partnerships and real estate partnerships, and are reported at fair value as determined by the University in accordance with the University's valuation policies and procedures and U.S. generally accepted accounting principles (GAAP). The University has concluded that the net asset value (NAV) reported by the underlying fund is a practical expedient for or approximates the fair value of the investment. Of the $130,784,113 reported at NAV as of June 30, 2013, $124,575,302 of those investments are currently redeemable with the fund at NAV under the current terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to inherent uncertainty of fair value, such estimates of fair value may differ from values that would have been applied had a readily available market existed and those differences could be material. Although a secondary market exists for these investments, the market is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is, therefore, reasonably possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.

Hedge funds for which market prices or quotations are not readily available are valued based upon valuations determined in good faith by the underlying investment managers and reviewed by the University. Based on the specific investment, the University may consider, among other factors, the volume of redemptions occurring at the reporting date at NAV, restrictions on redemptions at the reporting date and the portion of the fund designated as a "side pocket" not available for redemption.

Private equity funds for which market prices or quotations are not readily available are valued at NAV as determined in good faith by the underlying investment managers and reviewed by the University. Based on the specific investment and its underlying assets, the University may consider, among other factors, recently imposed restrictions of liquidity by the fund manager. The University has $10,691,400 in redemption restrictions until 2014 related to private equity funds.

Investments are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the University's consolidated financial statements.

Investment transactions are accounted for on a trade-date basis. Dividend income or expense is recognized on the ex-dividend date and interest income is recognized on the accrual basis. Cash dividends declared on stocks for which the securities portfolio reflects a short position as of the reporting date are recognized as an expense on the ex-dividend date. Realized gains and losses are determined by the specific-identification method for investments in investment funds and average cost for investments in securities. Additionally, gains and losses from realized and unrealized changes in the fair value of investments are reported separately in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is restricted by external stipulation. Premiums and discounts on fixed income securities are amortized into income using the effective interest method. Fees paid to custodians and investment managers related to investments in securities are recorded on the accrual basis and are netted against investment income on the consolidated statements of activities.

(f) Grants Receivable

Grants receivable and the related unrestricted net assets include amounts applicable to grants and contracts for specific projects for which the University has incurred expenditures that have not been reimbursed.

(g) Inventories

Inventories are valued at the lower of cost or fair value on the first-in, first-out basis.

(h) Property and Equipment

Property and equipment are stated at cost or at estimated fair value at date of gift, if acquired by gift, less accumulated depreciation and amortization. Interest cost incurred on borrowed funds during the period of construction is capitalized as a component of the cost of acquiring these assets. Title to certain equipment funded by government granting or contracting agencies is vested in the University. Such equipment is included in property and equipment.

Depreciation is computed by the straight-line method over the estimated useful lives of the property and equipment. The estimated useful lives are the following: buildings, 40 years; cottages, 25 years; fixed equipment, 15 years; and moveable equipment, 10 years.

(i) Collections

The University has extensive collections of works of art, historical treasures, and similar assets along with library materials, including books, periodicals, and other items. These collections are maintained and held for research, education, and public exhibition in furtherance of public service. Proceeds from any sales of collections are used to acquire other items for collections. The cost of collections purchased by the University is charged to expense in the year purchased and donated collection items are not recorded. The value of the University's collections has not been determined.

(j) Derivative Instruments

The University accounts for derivatives and hedging activities in accordance with Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*, which requires the University to recognize all derivative instruments as either assets or liabilities on the consolidated statements of financial position at their respective fair values. Changes in fair value of derivatives are recognized as a change in net assets on the consolidated statements of activities and changes in net assets. Fair value is determined using pricing models that consider various assumptions, including time value and yield curves, as well as other relevant economic measures (note 2).

(k) Deferred Revenue

Deferred revenue consists primarily of student payments received for the summer school sessions and grant funds received during the current year, which are designated to be used in future periods and will be recognized as revenue within one year. Revenues for the summer school sessions and grant agreements are recognized as instruction takes place and the related expenses are incurred.

(l) Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after subsequent student repayments. These funds are ultimately refundable to the U.S. government and are included in liabilities.

(m) Functional Expenses

The University allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated on various statistical bases.

(n) Income Taxes

The University and HUPTI have been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. Since the University and its subsidiaries had no unrelated business income tax during the fiscal years ended June 30, 2013 and 2012, no provision for income taxes was required.

Tax positions are recognized or derecognized based on a more-likely-than-not threshold. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which change in judgment occurs. This applies to positions taken or expected to be taken in a tax return. The University recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in accounts payable and accrued liabilities, if assessed. No interest expense or penalties have been recognized as of and for the years ended June 30, 2013 and 2012. The University does not believe its consolidated financial statements include (or reflect) any uncertain tax positions.

(o) Donated Services

A number of volunteers have made contributions of time to the University's program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services contained in ASC Topic 958, *Not-for-Profit Entities*, and, accordingly, is not reflected in the consolidated financial statements.

(p) Deferred Compensation

The University has a deferred compensation plan with a total liability of approximately $4,861,000 and $4,800,000 at June 30, 2013 and 2012, respectively. The liability consists of deferred salaries, investment earnings and appreciation/depreciation and is included in accounts payable and accrued expenses in the consolidated statements of financial position. The University has funded approximately $4,861,000 and $4,800,000 at June 30, 2013 and 2012, respectively, of the related liability, which is included in investments on the consolidated statements of financial position.

(q) Revenue Recognition

Tuition and Fees

Student tuition and fees are recorded as revenue during the fiscal year that the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Student aid provided by the University for tuition and fees is reflected as a reduction of tuition and fee revenue. Student aid does not include payments made to students for services provided to the University.

Gifts

Gifts, including unconditional pledges, are recognized as revenues when donors' commitments are received. Gifts other than cash are recorded at their estimated fair value at the date of the gift. Conditional pledges become unconditional and are recognized as revenues when the conditions are substantially met. Unconditional pledges are recognized at the estimated net present value, net of an allowance for uncollectible amounts, and are classified as either permanently restricted or temporarily restricted. Gifts whose restrictions are met in the same fiscal year as their receipt are combined with unrestricted gifts and reported as unrestricted contribution revenues.

HUPTI Net Patient Service Revenue

HUPTI has agreements with third-party payors, including agreements with commercial insurance providers, managed care organizations, and private individuals that provide for payments at amounts different from its established rates. HUPTI net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Per the terms of an agreement with a third-party for billing and collection services, HUPTI pays a percentage of the net patient service revenue collected, as defined in the agreement to the third party at a rate of 3% over the term of the contract. Fees paid to a third-party for these services were approximately $502,000 and $541,000 in 2013 and 2012, respectively.

(r) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management of the University to make a number of estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of investments, plant and equipment, and valuation allowances for receivables. Actual results could differ from those estimates.

(s) Subsequent Events

The University has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2013 financial statements through November 30, 2013, the date the consolidated financial statements were available to be issued.

(2) Fair Value Measurements

The cost and fair value of investments at June 30, 2013 and 2012 are as follows:

	2013		2012	
	Cost	Carrying value	Cost	Carrying value
Cash equivalents	$ 7,637,606	7,637,606	12,105,831	12,105,831
Investment in securities:				
Mutual funds	37,519,307	36,653,471	31,548,356	31,709,550
Government and corporate obligations	8,430,479	8,637,384	8,582,346	9,113,393
Common stocks	46,456,867	60,760,010	44,832,389	52,899,079
Investment in investments:				
Limited partnerships	41,320,511	76,270,522	40,839,718	68,923,664
Common and collective trusts	41,878,733	38,073,363	40,904,199	34,177,502
Other funds	10,748,938	16,440,228	10,760,131	14,518,918
Other investments	13,065,650	13,118,935	13,724,128	13,937,078
	$ 207,058,091	257,591,519	203,297,098	237,385,015

Fair value measurements are categorized into a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The University determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the University uses various methods, including the market, income and cost approaches. The University uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The University has evaluated the various types of securities and investment funds in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange. Level 2 investments include municipal bonds, foreign government bonds and corporate debt securities and hedge funds. Due to the significance of unobservable inputs required in measuring the fair value of investments in private equity funds and other alternative investments, they have been classified as Level 3 within the fair value hierarchy.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Restricted cash equivalents	$ 8,614,774	—	—	8,614,774
Investments in cash equivalents	7,637,606	—	—	7,637,606
Investments in securities:				
Mutual funds	36,653,471	—	—	36,653,471
Government and corporate obligations	8,637,384	—	—	8,637,384
Common stocks	60,760,010	—	—	60,760,010
	106,050,865	—	—	106,050,865
Investments in investment funds:				
Limited partnerships	—	—	76,270,522	76,270,522
Common and collective trusts	—	38,073,363	—	38,073,363
Other funds	—	4,359,967	12,080,261	16,440,228
	—	42,433,330	88,350,783	130,784,113
Other investments	6,108,291	773,613	6,237,031	13,118,935
Total investments	119,796,762	43,206,943	94,587,814	257,591,519
Total	$ 128,411,536	43,206,943	94,587,814	266,206,293
Liability:				
Interest rate swap	$ —	(1,543,507)	—	(1,543,507)

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Restricted cash equivalents	$ 31,160,858	—	—	31,160,858
Investments in cash equivalents	12,105,831	—	—	12,105,831
Investments in securities:				
Mutual funds	31,709,550	—	—	31,709,550
Government and corporate obligation	9,113,393	—	—	9,113,393
Common stocks	52,899,079	—	—	52,899,079
	93,722,022	—	—	93,722,022
Investments in investment funds:				
Limited partnerships	—	—	68,923,664	68,923,664
Common and collective trusts	—	34,177,502	—	34,177,502
Other funds	—	3,694,274	10,824,644	14,518,918
	—	37,871,776	79,748,308	117,620,084
Other investments	6,048,801	651,246	7,237,031	13,937,078
Total investments	111,876,654	38,523,022	86,985,339	237,385,015
Total	$ 143,037,512	38,523,022	86,985,339	268,545,873
Liability:				
Interest rate swap	$ —	(2,133,130)	—	(2,133,130)

The following table summarizes changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended June 30, 2013 and 2012:

		Investments in investment funds	Investments in other investments	Total
Assets:				
Ending balance as of June 30, 2011	$	80,576,222	2,746,741	83,322,963
Total net losses included in:				
Change in net assets		(1,493,922)	—	(1,493,922)
Purchases into Level 3		1,063,531	4,490,290	5,553,821
Sales out of Level 3		(397,523)	—	(397,523)
Ending balance as of June 30, 2012		79,748,308	7,237,031	86,985,339
Total net gains included in:				
Change in net assets		7,463,052	—	7,463,052
Purchases into Level 3		1,623,910	—	1,623,910
Sales out of Level 3		(484,487)	(1,000,000)	(1,484,487)
Ending balance as of June 30, 2013	$	88,350,783	6,237,031	94,587,814

The University's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. The University had no significant transfers to or from Level 1, Level 2 or Level 3 during the year ended June 30, 2013. The University did not have any assets or liabilities measured at fair value on a nonrecurring basis during the year ended June 30, 2013.

(Continued)

The following table summarizes information about the attributes of investments in investment funds by major category as of June 30, 2013:

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Domestic equity	$ 63,430,573	1,122,000	Monthly, quarterly, annually	30 – 90 days
International equity	44,825,988	22,510	Monthly, quarterly, annually	30 – 90 days
Diversified	12,229,889	—	Monthly, quarterly, annually	30 – 90 days
Multi-strategy	4,088,852	—	Monthly, quarterly, annually	30 – 90 days
Other/real estate	6,208,811	1,494,132	N/A	N/A
	$ 130,784,113	2,638,642		

(a) Domestic Equity

This category includes investments in hedge funds that invest primarily in publicly traded U.S. stocks with long-term investment horizons and modest liquidity constraints. The domestic equity portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the U.S. equity market and will primarily be achieved through the use of, but not limited to, swaps, ETFs and other derivative products, utilized from time to time to add or reduce the directionality of the portfolio. The portfolio seeks to generate incremental returns (alpha) through its active investment strategies. The active investment strategies will include both long and long/short managers. The fair values of the investments in this category have been estimated using the NAV per share of the investments.

(b) International Equity

This category includes investments in hedge funds that invest primarily in publicly traded common stock of predominantly international markets, both in developed and developing/emerging regions. The international equity portfolio takes an active investment approach due to the less efficient nature of the markets, which should generate higher returns than a passive core and will be implemented through both long/short and long only managers, potentially in all regions of the world. Despite an active approach, from time to time, there may be opportunities to add or reduce directionality to international markets through the use of, but not limited to, swaps, ETFs and other derivative products. The fair values of the investments in this category have been estimated using the NAV per share of the investments.

(c) Diversified and Multi-Strategy

This category includes investments in hedge funds that invest primarily in investments specializing in asset allocation across multiple investment strategies that have low correlations and/or market exposure to other asset classes. Diversification across strategies and positions will be wide in order to dampen portfolio volatility. The portfolio's liquidity will be moderate, less than that of the traditional public equity portfolios, but more liquid than the private equity/venture capital portfolio. This portfolio will focus on areas and strategies where value added by active management can contribute a substantial portion of the return. The portfolio may utilize swaps, derivatives, ETFs or other instruments in order to manage risk. The fair values of the investments in this category have been estimated using the NAV per share of the investments.

(d) Other/Real Estate

This category includes investments in small limited partnerships and real estate investment funds. The objective of the small limited partnerships is to generate superior capital appreciation through equity-based investments and joint ventures. The long-term objective of the real estate portfolio is to provide equity-like returns while providing a partial hedge against inflation. The portfolio is directed largely to illiquid investments with a long time horizon. The fair values of the investments in this category have been estimated using the NAV of the University's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

(3) Hampton Harbor

The Hampton Harbor complex is 100% owned by the University and is comprised of a 246-unit apartment complex and a retail shopping center located adjacent to the University. The accounts of Hampton Harbor, which are included in the consolidated statements of financial position, at June 30, 2013 and 2012 include the following:

	2013	2012
Assets:		
Cash and cash equivalents	$ 268,979	245,795
Tenant security deposits	222,037	213,535
Tenant and other accounts receivable	402,663	535,526
Replacement reserve	609,486	535,686
Real estate escrow	260,856	184,503
Property and equipment:		
Apartments	10,618,492	10,052,698
Retail shops	4,168,338	4,127,601
	14,786,830	14,180,299
Less accumulated depreciation	8,615,668	8,202,532
Net property and equipment	6,171,162	5,977,767
Total assets	$ 7,935,183	7,692,812

	2013	2012
Liabilities and unrestricted net assets:		
Accounts payable and accrued expenses	$ 221,576	272,767
Refundable tenant security deposits	222,037	213,535
Note payable	6,999,461	7,146,315
Total liabilities	7,443,074	7,632,617
Unrestricted net assets	492,109	60,195
Total liabilities and unrestricted net assets	$ 7,935,183	7,692,812

(Continued)

(4) Harbour Centre

The Harbour Centre complex, acquired by a donation to the University, is a 14-story multi-tenant office building located in downtown Hampton. The accounts of Harbour Centre, which are included in the consolidated statements of financial position, at June 30, 2013 and 2012, include the following:

		2013	2012
Assets:			
Cash and cash equivalents	$	102,355	95,132
Tenants security deposits		—	26,621
Tenants and other accounts receivable		213,787	174,718
Property and equipment, net		22,481,242	22,915,171
Other assets, net		121,761	71,974
Total assets	$	22,919,145	23,283,616
Liabilities and unrestricted net assets:			
Accounts payable and accrued expenses	$	53,385	132,036
Refundable tenant security deposits		26,838	26,621
Note payable		8,444,756	8,852,211
Total liabilities		8,524,979	9,010,868
Unrestricted net assets		14,394,166	14,272,748
Total liabilities and unrestricted net assets	$	22,919,145	23,283,616

(5) Fair Value of Financial Instruments

The carrying amounts of student and other accounts receivable, grants receivable, and accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments. A reasonable estimate of the fair value of the loans receivable under government loan programs could not be made because the loans receivable are not saleable and can only be assigned to the U.S. government or its designees; notes payable are valued at amortized cost, which approximates fair value; the fair value of loans receivable under University loan programs approximates carrying value. The fair value of contributions receivable approximates the net carrying value. The fair value of bonds payable is estimated to be $200,300,000 and $205,000,000 at June 30, 2013 and 2012, respectively.

(6) Contributions Receivable

Contributions receivable at June 30, 2013 are expected to be received as follows:

Year ending June 30:	
2014	$ 813,165
2015	767,962
2016	513,150
2017	15,000
2018	15,000
Thereafter	50,000
	2,174,277
Less allowance for uncollectible pledges	108,714
Less discount to present value	217,428
	$ 1,848,135

(7) Property and Equipment

Property and equipment at June 30, 2013 and 2012 consist of the following:

	2013	2012
Land	$ 2,895,155	2,895,153
Buildings	384,581,555	346,057,578
Cottages	7,067,782	4,982,397
Fixed equipment	13,942,861	13,241,918
Moveable equipment	164,614,648	153,046,533
Construction in progress	18,549,700	46,819,289
	591,651,701	567,042,868
Less accumulated depreciation and amortization	188,845,701	172,183,721
	$ 402,806,000	394,859,147

The University recorded depreciation and amortization expense of $16,661,980 and $14,162,621 during the years ended June 30, 2013 and 2012, respectively.

(8) Bonds Payable

Bonds payable at June 30, 2013 and 2012 consist of the following:

	2013	2012
Virginia Small Business Financing Authority Revenue Bonds, 2009 Series, serial bonds with interest rates of 67% of one month LIBOR plus 2.50% (1.63% at June 30, 2013) due in annual installments increasing each year from $1,400,000 in 2015 to $2,745,000 in 2039	$ 50,000,000	50,000,000
Virginia Small Business Financing Authority Revenue Bonds, 2008A Series, variable rate demand bonds secured by a Letter of Credit with a weekly rate determined by the Remarketing Agents based on prevailing market conditions (0.04% at June 30, 2013) in annual installments increasing each year from $1,675,000 in 2014 to $4,340,000 in 2038	70,000,000	70,000,000
Educational Facilities Revenue Refunding Bonds, 2005 Series, serial bonds with interest rates ranging from 3.25% to 5.00% due in annual installments increasing each year from $515,000 in 2009 to $2,320,000 in 2020	14,180,000	15,875,000
Educational Facilities Revenue Refunding Bonds, 2005 Series, term bonds with an interest rate of 5.00%, due in 2025	3,550,000	3,550,000
Educational Facilities Revenue Refunding Bonds, 2003 Series, serial bonds with interest rates ranging from 3.00% to 5.00% due in annual installments increasing each year from $1,510,000 in 2009 to $1,815,000 in 2014	1,815,000	3,545,000
Virginia Small Business Financing Authority Revenue and Refunding Bonds, 2010 Series, term bonds with an interest rate of 2.56% due in annual installments increasing each year from $395,000 in 2011 to $500,000 in 2018	2,375,000	2,815,000
Historically Black Colleges and Universities Capital Financing Program, Future Advance Project Funding Bond, Series A 2013-2 bond with a fixed interest rate of 2.90% due in annual installments increasing each year from $1,351,000 in 2015 to $3,064,000 in 2040; the full amount of the $60,065,000 available under the bond has not been drawn	57,604,377	—
Virginia Small Business Financing Authority Revenue Bonds, 2009 Series, term bonds with interest rates ranging from 8.25% to 9.25%; defeased in 2013	—	53,865,000
	$ 199,524,377	199,650,000

Aggregate annual maturities of bonds payable at June 30, 2013 are as follows:

2014	$	8,461,357
2015		7,027,881
2016		7,267,624
2017		7,543,666
2018		7,816,042
Thereafter		161,407,807
	$	199,524,377

In May 2013, the University issued the Department of Education – Historically Black Colleges and Universities Capital Financing Program bonds (DOE bonds) in the amount of $57,604,377. Partial proceeds from the DOE Bonds, along with the remaining proceeds from the Virginia Small Business Financing Authority Revenue Bonds, 2009 Series (2009 Series Bonds), were placed into an escrow account and were used to legally defease the 2009 Series Bonds. As a result of the transaction, the University recorded a loss on defeasance of bonds totaling $9,641,000, which was based on the excess of the required bond payoff of $61,500,000 over the carrying amount of the 2009 Series Bonds. The loss on defeasance represents the sum of the remaining unamortized bond discount and cost of issuance on the 2009 Series Bonds at May 31, 2013 and a prepayment penalty along with interest payments due through fiscal 2014. The University defeased the 2009 Series Bonds, which bore interest ranging from 8.25% to 9.25%, and recorded the new bonds with a more favorable interest rate of 2.90%.

(9) Notes Payable

In February 2005, the University on behalf of Hampton Harbor obtained a multifamily note payable to be repaid in equal monthly installments of principal and interest totaling $46,635 with the remaining balance due March 2015. The multifamily note payable carries interest at a fixed rate of 5.74% and is secured by the apartments. The balance of the note payable at June 30, 2013 and 2012 was $6,998,758 and $7,146,315, respectively.

The maturities of the multifamily note payable as of June 30, 2013 are as follows:

2014	$	156,376
2015		6,842,382
	$	6,998,758

In March 1997, the University obtained a mortgage note payable from the Department of Education in the amount of $2,875,000. The note requires semiannual payments of $98,383, which include interest at a fixed rate of 5.5% per annum, which began in July 1997 and will end on January 1, 2027. The balance of the note at June 30, 2013 and 2012 was $1,897,451 and $1,988,276, respectively. The note is collateralized by a deed of trust on certain property of the University.

The maturities of the mortgage note payable from the Department of Education as of June 30, 2013 are as follows:

2014	$ 93,323
2015	98,526
2016	104,020
2017	109,819
2018	115,942
Thereafter	1,375,821
	$ 1,897,451

(10) Pension Plan

Substantially all of the salaried employees of the University are eligible after specified periods of employment to participate in a defined contribution pension plan with The Teachers' Insurance and Annuity Association of America and the College Retirement Equities Fund. The benefits contemplated by the plan are funded through purchase of individual insurance annuity policies. University contributions to the plan are based on percentages of qualified employee earnings. University contributions to this program were approximately $1,329,000 and $1,697,000 for the fiscal years ended June 30, 2013 and 2012, respectively.

(11) Key Man Life Insurance Policy

The University established a whole life insurance policy for the President of the University in the amount of $1,000,000. The President is the insured, and the University is the owner and beneficiary. The cash surrender value in the amount of $145,875 and $162,152 is included in investments in the accompanying consolidated statements of financial position as of June 30, 2013 and 2012, respectively.

(12) Temporarily Restricted Net Assets

The amounts included as temporarily restricted net assets as of June 30, 2013 and 2012 consist of the following:

	2013	2012
Scholarships	$ 7,970,700	8,149,582
Faculty and professional development	4,283,453	3,906,452
Other	998,274	988,318
	$ 13,252,427	13,044,352

(13) Permanently Restricted Net Assets

The amounts included as permanently restricted net assets as of June 30, 2013 and 2012 are to be held in perpetuity and the related income is to be used as follows:

		2013	2012
Operational	$	12,674,555	12,673,555
Scholarships		33,631,680	33,011,950
Faculty and professional development		5,761,864	5,761,865
	$	52,068,099	51,447,370

(14) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were $3,388,688 and $2,267,875 for the years ended June 30, 2013 and 2012, respectively.

(15) Commitments and Contingencies

At June 30, 2013, the University had outstanding purchase commitments for normal operational expenditures and certain investment purchases of approximately $6,600,000 and $2,600,000, respectively.

Amounts received and expended by the University under various federal and state programs are subject to audit by various federal and state agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University.

Effective December 2007, HUPTI entered into a maintenance agreement with Ion Beam Applications, S.A. (IBA) to maintain and service the proton therapy equipment through December 2018. During the years ended June 30, 2013 and 2012, HUPTI recognized expenses under this maintenance agreement of $2,485,407 and $178,000, respectively.

Governmental funding for healthcare programs is subject to statutory and regulatory changes, interpretations of policy, intermediary determinations, administrative rulings, and governmental funding restrictions. Approximately 33% of HUPTI's net patient service revenue was related to Medicare and Medicaid programs during 2013.

The University is subject to various legal proceedings and claims, which arise in the ordinary course of its business. In the opinion of management, appropriate provision has been made for possible losses, and the ultimate resolution of these matters will not have a significant effect on the financial position of the University.

(16) Endowment

Through June 30, 2008, the University's management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) that serves as a guideline to states to use in enacting legislation. Among

UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending. Effective July 1, 2008, the Commonwealth of Virginia enacted UPMIFA, the provisions of which apply to funds existing on or established after that date.

The University's endowment consists of approximately 520 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, if any.

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	4,287,453	52,068,099	56,355,552
Board-designated endowment funds	235,047,552	—	—	235,047,552
Total endowed net assets	$ 235,047,552	4,287,453	52,068,099	291,403,104

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	3,910,452	51,447,370	55,357,822
Board-designated endowment funds	210,706,981	—	—	210,706,981
Total endowed net assets	$ 210,706,981	3,910,452	51,447,370	266,064,803

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2012	$ 210,706,981	3,910,452	51,447,370	266,064,803
Investment return:				
Investment income	3,201,892	34,881	—	3,236,773
Net appreciation	21,138,679	342,120	—	21,480,799
Total investment return	24,340,571	377,001	—	24,717,572
Contributions	—	—	620,729	620,729
Redesignated funds	—	—	—	—
Endowment net assets, June 30, 2013	$ 235,047,552	4,287,453	52,068,099	291,403,104

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2011	$ 216,189,769	3,980,919	49,744,534	269,915,222
Investment return:				
Investment income	3,196,250	56,441	—	3,252,691
Net appreciation	(8,679,038)	(126,908)	—	(8,805,946)
Total investment return	(5,482,788)	(70,467)	—	(5,553,255)
Contributions	—	—	1,702,836	1,702,836
Endowment net assets, June 30, 2012	$ 210,706,981	3,910,452	51,447,370	266,064,803

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the University to retain as a fund of perpetual duration in accordance with GAAP. Deficiencies of this nature are reported in unrestricted net assets.

The University has investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing University operations. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. The practice allows the endowment assets to be invested in a manner that is intended to produce results that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The University expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment's purpose.

To satisfy the long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The University uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

The University has a practice of distributing the major portion of current year earnings on the endowment funds, if the restrictions have been met. Some of the donor-restricted endowments require a portion of the earnings to increase the corpus of the endowment. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Schedule 1

HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidated Statement of Financial Position

June 30, 2013 and 2012

	2013			2012		
Assets	**Operations and plant**	**Endowment**	**Total**	**Operations and plant**	**Endowment**	**Total**
Cash	$ 10,261,208	—	10,261,208	1,781,552	—	1,781,552
Restricted cash equivalents	8,614,774	—	8,614,774	31,160,858	—	31,160,858
Student and other accounts receivable, less allowance for doubtful accounts of $3,000,000 at June 30, 2013 and 2012	8,569,312	—	8,569,312	8,458,049	—	8,458,049
U.S. government grants receivable, less allowance for doubtful accounts of $3,000,000 at June 30, 2013 and 2012	11,093,799	—	11,093,799	10,240,129	—	10,240,129
Accrued investment income	288,778	—	288,778	304,097	—	304,097
Inventories	1,661,586	—	1,661,586	1,624,464	—	1,624,464
Prepaid expenses and other assets	2,562,395	—	2,562,395	2,309,383	—	2,309,383
Contributions receivable, net	1,016,429	831,706	1,848,135	1,253,439	1,165,300	2,418,739
Student loans receivable	10,265,561	—	10,265,561	10,001,465	—	10,001,465
Investments	1,029,757	256,561,762	257,591,519	4,626,704	232,758,311	237,385,015
Debt issuance costs, net	1,432,120	—	1,432,120	4,117,382	—	4,117,382
Property and equipment, net	402,806,000	—	402,806,000	394,859,147	—	394,859,147
Total assets	$ 459,601,719	257,393,468	716,995,187	470,736,669	233,923,611	704,660,280
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	$ 70,738,693	(34,009,636)	36,729,057	77,510,664	(32,141,192)	45,369,472
Deferred revenue	19,467,958	—	19,467,958	19,654,275	—	19,654,275
Notes payable	8,896,209	—	8,896,209	9,134,591	—	9,134,591
Bonds payable	199,524,377	—	199,524,377	199,650,000	—	199,650,000
Net bond issuance premium (discount)	703,249	—	703,249	(384,342)	—	(384,342)
Grants refundable	7,103,710	—	7,103,710	6,670,639	—	6,670,639
Total liabilities	306,434,196	(34,009,636)	272,424,560	312,235,827	(32,141,192)	280,094,635
Net assets:						
Unrestricted	144,202,549	235,047,552	379,250,101	149,366,942	210,706,981	360,073,923
Temporarily restricted	8,964,974	4,287,453	13,252,427	9,133,900	3,910,452	13,044,352
Permanently restricted	—	52,068,099	52,068,099	—	51,447,370	51,447,370
Total net assets	153,167,523	291,403,104	444,570,627	158,500,842	266,064,803	424,565,645
Total liabilities and net assets	$ 459,601,719	257,393,468	716,995,187	470,736,669	233,923,611	704,660,280

See accompanying independent auditors' report.

Schedule 2

HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidating Statement of Financial Position

June 30, 2013

	2013			
Assets	**HU**	**HUPTI**	**Eliminating entries**	**Consolidated**
Cash	$ 4,177,275	6,083,933	—	10,261,208
Restricted cash equivalents	643,553	7,971,221	—	8,614,774
Student, patient and other accounts receivable, less allowance for doubtful accounts	5,953,670	2,615,642	—	8,569,312
U.S. government grants receivable, less allowance for doubtful accounts	11,093,799	—	—	11,093,799
Accrued investment income	288,778	—	—	288,778
Inventories	1,661,586	—	—	1,661,586
Prepaid expenses and other assets	1,835,454	726,941	—	2,562,395
Contributions receivable, net	1,848,135	—	—	1,848,135
Student loans receivable	10,265,561	—	—	10,265,561
Investments	257,591,519	—	—	257,591,519
Debt issuance costs, net	257,550	1,174,570	—	1,432,120
Property and equipment, net	271,569,162	146,796,209	(15,559,371)	402,806,000
Subordinated note receivable	120,000,000	—	(120,000,000)	—
Subordinated interest receivable	27,763,000	—	(27,763,000)	—
Due from parent	—	1,624,369	(1,624,369)	—
Total assets	$ 714,949,042	166,992,885	(164,946,740)	716,995,187
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 30,625,282	6,103,775	—	36,729,057
Deferred revenue	19,467,958	—	—	19,467,958
Notes payable	8,896,209	—	—	8,896,209
Bonds payable	199,524,377	—	—	199,524,377
Net bond issuance premium	703,249	—	—	703,249
Grants refundable	7,103,710	—	—	7,103,710
Intercompany payable-HBCU loan	(53,115,248)	53,115,248	—	—
Subordinated note payable	—	120,000,000	(120,000,000)	—
Subordinated interest payable	—	27,763,000	(27,763,000)	—
Investment in subsidiary	39,989,138	—	(39,989,138)	—
Due to subsidiary	1,624,369	—	(1,624,369)	—
Total liabilities	254,819,044	206,982,023	(189,376,507)	272,424,560
Net assets:				
Unrestricted	394,809,472	(39,989,138)	24,429,767	379,250,101
Temporarily restricted	13,252,427	—	—	13,252,427
Permanently restricted	52,068,099	—	—	52,068,099
Total net assets	460,129,998	(39,989,138)	24,429,767	444,570,627
Commitments and contingencies				
Total liabilities and net assets	$ 714,949,042	166,992,885	(164,946,740)	716,995,187

See accompanying independent auditors' report.

Schedule 3

HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidating Statement of Financial Position

June 30, 2012

	2012			
Assets	**HU**	**HUPTI**	**Eliminating entries**	**Consolidated**
Cash	$ 1,166,400	615,152	—	1,781,552
Restricted cash equivalents	648,422	30,512,436	—	31,160,858
Student and other accounts receivable, less allowance for doubtful accounts	4,943,790	3,514,259	—	8,458,049
U.S. government grants receivable, less allowance for doubtful accounts	10,240,129	—	—	10,240,129
Accrued investment income	304,097	—	—	304,097
Inventories	1,624,464	—	—	1,624,464
Prepaid expenses and other assets	1,854,497	454,886	—	2,309,383
Contributions receivable, net	2,418,739	—	—	2,418,739
Student loans receivable	10,001,465	—	—	10,001,465
Investments	237,385,015	—	—	237,385,015
Debt issuance costs, net	322,169	3,795,213	—	4,117,382
Property and equipment, net	259,003,098	151,415,420	(15,559,371)	394,859,147
Subordinated note receivable	120,000,000	—	(120,000,000)	—
Subordinated interest receivable	24,263,000	—	(24,263,000)	—
Due from parent	—	3,239,992	(3,239,992)	—
Total assets	$ 674,175,285	193,547,358	(163,062,363)	704,660,280
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 32,671,962	12,697,510	—	45,369,472
Deferred revenue	19,654,275	—	—	19,654,275
Notes payable	9,134,591	—	—	9,134,591
Bonds payable	145,785,000	53,865,000	—	199,650,000
Net bond issuance (discount) premium	781,386	(1,165,728)	—	(384,342)
Grants refundable	6,670,639	—	—	6,670,639
Subordinated note payable	—	120,000,000	(120,000,000)	—
Subordinated interest payable	—	24,263,000	(24,263,000)	—
Investment in subsidiary	16,112,424	—	(16,112,424)	—
Due to subsidiary	3,239,992	—	(3,239,992)	—
Total liabilities	234,050,269	209,659,782	(163,615,416)	280,094,635
Net assets:				
Unrestricted	375,633,294	(16,112,424)	553,053	360,073,923
Temporarily restricted	13,044,352	—	—	13,044,352
Permanently restricted	51,447,370	—	—	51,447,370
Total net assets	440,125,016	(16,112,424)	553,053	424,565,645
Commitments and contingencies				
Total liabilities and net assets	$ 674,175,285	193,547,358	(163,062,363)	704,660,280

See accompanying independent auditors’ report.

Schedule 4

HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidating Statement of Activities and Changes in Net Assets

Year ended June 30, 2013

	2013			
	HU	**HUPTI**	**Eliminating entries**	**Consolidated**
Revenues and support:				
Gross tuition and fees	$ 82,406,105	—	—	82,406,105
Less discounts on tuition and fees	28,949,681	—	—	28,949,681
Tuition and fees, net	53,456,424	—	—	53,456,424
Federal grants and contracts	36,407,646	—	—	36,407,646
Private gifts, grants and contracts	17,891,252			17,891,252
HUPTI net patient service revenue	—	16,811,000	—	16,811,000
Investment income	7,238,060	—	—	7,238,060
Realized gains on investments, net	7,495,207	—	—	7,495,207
Unrealized gains on investments, net	16,274,061	—	—	16,274,061
Sales and services of educational departments	4,283,908	—	—	4,283,908
Sales and services of auxiliary enterprises	19,571,871	—	—	19,571,871
Loan interest income	120,205	—	—	120,205
Net assets released from restrictions	3,388,688	—	—	3,388,688
Subordinate interest income	6,600,000	—	(6,600,000)	—
Management fee income	2,000,000	—	(2,000,000)	—
Total revenues and support	174,727,322	16,811,000	(8,600,000)	182,938,322
Expenses:				
Program services:				
Instructional	42,088,519	—	—	42,088,519
Research	12,847,626	—	—	12,847,626
HUPTI patient services	—	31,048,000	(8,600,000)	22,448,000
Public services	3,346,487	—	—	3,346,487
Libraries and museum	5,575,193	—	—	5,575,193
Student services	14,490,210	—	—	14,490,210
Total program services	78,348,035	31,048,000	(8,600,000)	100,796,035
Management and general:				
Academic support	5,598,870	—	—	5,598,870
Institutional support	32,025,306	—	—	32,025,306
Loss in subsidiary	23,878,000	—	(23,878,000)	—
Loss on defeasance of bonds	—	9,641,000	—	9,641,000
Auxiliary services	15,700,933	—	—	15,700,933
Total management and general	77,203,109	9,641,000	(23,878,000)	62,966,109
Total expenses	155,551,144	40,689,000	(32,478,000)	163,762,144
Changes in unrestricted net assets	19,176,178	(23,878,000)	23,878,000	19,176,178
Temporarily restricted net assets:				
Private gifts, grants and contracts	3,219,761	—	—	3,219,761
Investment income	36,144	—	—	36,144
Realized and unrealized gains (losses) on investments, net	340,858	—	—	340,858
Net assets released from restrictions	(3,388,688)	—	—	(3,388,688)
Increase in temporarily restricted net assets	208,075	—	—	208,075
Increase in permanently restricted net assets – private gifts, grants and contracts	620,729	—	—	620,729
Increase (decrease) in net assets	20,004,982	(23,878,000)	23,878,000	20,004,982
Net assets at beginning of year	440,125,016	(16,112,424)	553,053	424,565,645
Net assets at end of year	$ 460,129,998	(39,990,424)	24,431,053	444,570,627

See accompanying independent auditors' report.

HAMPTON UNIVERSITY AND SUBSIDIARIES

Consolidating Statement of Activities and Changes in Net Assets

Year ended June 30, 2012

	2012			
	HU	**HUPTI**	**Eliminating entries**	**Consolidated**
Revenues and support:				
Gross tuition and fees	$ 83,634,298	—	—	83,634,298
Less discounts on tuition and fees	27,153,974	—	—	27,153,974
Tuition and fees, net	56,480,324	—	—	56,480,324
Federal grants and contracts	32,911,946	1,068,181	(1,068,181)	32,911,946
Private gifts, grants and contracts	26,998,618	—	—	26,998,618
HUPTI net patient service revenue	—	17,919,000	—	17,919,000
Investment income	11,921,135	96,137	—	12,017,272
Realized gains on investments, net	5,377,042	—	—	5,377,042
Unrealized gains on investments, net	(14,021,178)	—	—	(14,021,178)
Sales and services of educational departments	5,953,350	—	—	5,953,350
Sales and services of auxiliary enterprises	20,083,803	—	—	20,083,803
Loan interest income	151,545	—	—	151,545
Net assets released from restrictions	2,267,875	—	—	2,267,875
Subordinate interest income	6,600,000	—	(6,600,000)	—
Management fee income	2,000,000	—	(2,000,000)	—
Total revenues and support	156,724,460	19,083,318	(9,668,181)	166,139,597
Expenses:				
Program services:				
Instructional	42,968,441	—	—	42,968,441
Research	14,425,932	—	—	14,425,932
HUPTI patient services	—	26,765,000	(9,976,181)	16,788,819
Public services	3,505,153	—	—	3,505,153
Libraries and museum	6,391,525	—	—	6,391,525
Student services	14,124,611	—	—	14,124,611
Total program services	81,415,662	26,765,000	(9,976,181)	98,204,481
Management and general:				
Academic support	3,856,801	—	—	3,856,801
Institutional support	41,836,193	—	—	41,836,193
Loss in subsidiary	7,681,682	—	(7,681,682)	—
Auxiliary services	17,385,304	—	—	17,385,304
Total management and general	70,759,980	—	(7,681,682)	63,078,298
Total expenses	152,175,642	26,765,000	(17,657,863)	161,282,779
Changes in unrestricted net assets	4,548,818	(7,681,682)	7,989,682	4,856,818
Temporarily restricted net assets:				
Private gifts, grants and contracts	5,271,127	—	—	5,271,127
Investment income	56,441	—	—	56,441
Realized and unrealized gains (losses) on investments, net	(126,909)	—	—	(126,909)
Net assets released from restrictions	(2,267,875)	—	—	(2,267,875)
Increase in temporarily restricted net assets	2,932,784	—	—	2,932,784
Increase in permanently restricted net assets – private gifts, grants and contracts	1,702,836	—	—	1,702,836
Increase (decrease) in net assets	9,184,438	(7,681,682)	7,989,682	9,492,438
Contributions to (from) HU	—	1,251,000	(1,251,000)	—
Increase (decrease) in net assets	9,184,438	(6,430,682)	6,738,682	9,492,438
Net assets at beginning of year	430,940,578	(9,681,742)	(6,185,629)	415,073,207
Net assets at end of year	$ 440,125,016	(16,112,424)	553,053	424,565,645

See accompanying independent auditors' report.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS
AND SUMMARIES OF THE INDENTURE AND THE LOAN AGREEMENT

The following statements are summaries of certain provisions of the Indenture and the Loan Agreement. These summaries do not purport to be complete and are subject to all of the terms and conditions of the Indenture and the Loan Agreement, to which reference is hereby made, the forms of which are available for examination at the offices of the Trustee.

Certain Definitions

The terms defined below are among those used in this Official Statement:

"Accumulated Funding Deficiency" means an "accumulated funding deficiency" as defined in Section 302 of ERISA or Section 412(a) of the Code.

"Act" means the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2 of the Code of Virginia of 1950, as amended.

"Annual Debt Service" means, with reference to a specified period:

(a) with respect to the Series 2014 Bonds (i) interest accruing on the Series 2014 Bonds during the period and (ii) amounts required to be paid to the Trustee during such period to pay the principal amount of the Series 2014 Bonds becoming due at maturity or by mandatory redemptions, as the case may be; and

(b) with respect to any other Indebtedness (i) interest accruing on such Indebtedness during the period, except to the extent such interest is payable from the proceeds of such Indebtedness, (ii) amounts required to be paid during the period with respect to the, principal or sinking fund requirements on such Indebtedness and (iii) all lease rental payments during the period on Indebtedness which evidence the acquisition of capital assets which are required to be capitalized under GAAP.

"Bond Purchase Agreement" means the Bond Purchase Agreement with respect to the Series 2014 Bonds, among the Issuer, the University and the underwriters of the Series 2014 Bonds.

"Bond Service Account" means the Bond Service Account created in the Sinking Fund by the provisions of the Indenture.

"Bond Year" means the twelve month period beginning on each anniversary of the Closing Date.

"Business Day" means any day other than a Saturday, Sunday or day when banks are authorized to be closed under the laws of the Commonwealth of Virginia.

"Closing Date" means the dated of issuance of the Series 2014 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, together with the regulations and rulings of the United States Department of the Treasury and the Internal Revenue Service issued thereunder.

"Commonly Controlled Entity" means any trade or business (whether or not incorporated) which is under "common control" (as defined in the Code) and of which the University or any of its subsidiaries is a part.

"Cost of Issuance Fund" means the Cost of Issuance Fund created by the provisions of the Indenture.

“Costs of Issuance” means expenses incidental to the issuance and sale of the Series 2014 Bonds, including, without limitation, all printing, engraving, legal fees, accounting fees, underwriting fees and costs, underwriting discount and other expenses, and any fees or other expenses charged by the Issuer.

“Defeasance Obligations” means (a) direct obligations of the United States of America, and (b) obligations of state or local government municipal bond issuers that are rated in the highest rating category established by Moody’s or S&P, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of Defeasance Obligations.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Event of Default” means any one or more of the events of default described in the Indenture.

“Facilities” means the capital improvements financed or refinanced with the proceeds of the Prior Bonds and the proceeds of the Series 2014 Bonds.

“Financial Statements” means a consolidated (and if applicable, consolidating) balance sheet and statements of income and cash flows prepared in accordance with GAAP applied on a consistent basis (subject in the case of interim statements, to normal year-end adjustments) and audited and certified without qualification by an independent certified public accountant.

“GAAP” means generally accepted accounting principles in the United States of America in effect from time to time.

“Government Obligations” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged (including such securities issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and which are not subject to redemption prior to maturity at less than par at the option of any person other than the holder thereof; (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of which is fully guaranteed as a full faith and credit obligation of the United States of America (including such securities issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and which are not subject to redemption prior to maturity at less than par at the option of any person other than the holder thereof; and (c) certificates evidencing beneficial ownership of any security described in (a) or (b) above.

“Indebtedness” means (a) indebtedness for borrowed money or for the deferred purchase price of property or services, (b) obligations in respect of letters of credit, banker’s or other acceptances or similar obligations, (c) lease obligations with respect to any finance or capital leases; (d) liabilities secured by any lien on owned property, (e) obligations of third parties which are being guaranteed or indemnified against or secured by owned property; (f) any obligation under an employee stock ownership plan or other similar employee benefit plan; (g) any obligation under a pension or other similar plan; and (h) any obligations, liabilities or indebtedness, contingent or otherwise, under or in connection with any interest rate swap transaction, forward rate transaction, treasury lock transaction, interest rate cap, floor or collar transaction, any similar transaction, any option to enter into any of the foregoing or any combination of any of the foregoing, but excluding trade and other accounts payable in the ordinary course of its operations in accordance with customary trade terms and which are not overdue (as determined in accordance with customary trade practices) or which are being disputed in good faith and for which adequate reserves are being provided on the books in accordance with GAAP.

“Indenture” means the Indenture dated as of November 1, 2014, between the Issuer and the Trustee, as it may be amended or supplemented from time to time by supplemental indentures in accordance therewith.

“Investment Obligations” means: (a) Government Obligations, (b) certificates of deposit or other interest-bearing obligations of any bank or trust company (including the Trustee or its affiliates) authorized to engage in the banking business which shall be a member in good standing of the Federal Reserve System and have a combined capital and surplus aggregating not less than fifty million dollars ($50,000,000), (c) bonds and other obligations issued by or by authority of any state of the United States, or any political subdivision thereof, with the highest investment grade rating available by Moody's Investors Service, Inc. or Standard & Poor's Corporation, (d) corporate debt securities with the highest investment grade rating available by Moody's Investors Service, Inc. or Standard & Poor's Corporation, (e) any money market fund rated by Standard & Poor's Corporation and Moody's Investors Service, Inc. in the three highest rating categories (without regard to numerical modifiers) which are invested entirely in Government Obligations, (f) repurchase agreements with a bank, trust company or financial institution (including the Trustee), which shall be authorized to engage in the banking business and a member of the Federal Reserve System, with respect to Government Obligations, (g) interest bearing time deposits, secured by lodging as collateral security with a bank or trust company, as custodian, approved by the University, Government Obligations having a market value at all times (exclusive of accrued interest) not less than the amount of such time deposits, or (h) investment agreements from banks, registered broker/dealers or other financial institutions who have a long term debt rating, or whose parent has a long term debt rating, without regard to qualifier, in the three highest rating categories by a major rating service provider.

"Interest Payment Date" means each April 1 and October 1 beginning April 1, 2015.

"Issuer" means the Virginia Small Business Financing Authority, a body politic and corporate created pursuant to the laws of the Commonwealth of Virginia, and its successors and assigns.

"Governmental Authority" means any (i) federal, state or local governmental or quasi-governmental entity, including, without limitation, any agency, court, department, commission, board, bureau, administration, service, or other instrumentality of any governmental entity, and (ii) accreditation or approval organization, whether private, public or quasi-governmental, which is generally recognized in the Commonwealth of Virginia for such purposes.

"Governmental Requirements" means all laws, ordinances, orders, rules or regulations of all Governmental Authorities, including, without limitation, laws, ordinances, orders, rules and regulations relating to public disclosures, zoning, certificates of need, licenses, permits, subdivision, building, safety, health, fire protection or environmental matters.

"Loan Agreement" or "Agreement" means the Loan Agreement dated as of November 1, 2014, between the Issuer and the University, and when amended or supplemented, such Agreement as amended or supplemented.

"Main Campus Property" means the University's property constituting of only the University's main campus, including the land, buildings and other improvements and equipment thereon.

"Material Adverse Change" means any material adverse change in the condition, financial or otherwise, operations, properties, assets or prospects of the University or in its ability to meet its payment obligations under the University Documents.

"Multiemployer Plan" means a multiemployer plan (as defined in ERISA) to which the University or any Commonly Controlled Entity, as appropriate, has or had an obligation to contribute.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys who may be counsel for the University, or other counsel acceptable to the Trustee.

"Owner(s)," "Bondowner(s)," "Bondholder(s)" or "registered owner(s)" means the registered owner or owners of any Outstanding Series 2014 Bonds.

"Outstanding" means all Series 2014 Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(a) Series 2014 Bonds paid or redeemed or delivered to or acquired by the Trustee for cancellation;

(b) Series 2014 Bonds deemed to have been paid in accordance with the Indenture; and

(c) Series 2014 Bonds in exchange for or in lieu of which other Series 2014 Bonds have been authenticated and delivered under the Indenture.

"Payment Installments" means the payments required by the Loan Agreement in amounts necessary to pay debt service on the Series 2014 Bonds.

"Payment of the Bonds" means payment in full of the principal of, premium, if any, and interest on the Series 2014 Bonds or provision for such payment sufficient to discharge the Indenture.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Plan" means any pension, profit sharing, savings, stock bonus or other deferred compensation plan which is subject to the requirements of ERISA, together with any related trusts.

"Prior Bonds" means the Series 2008A Bonds and the Series 2009 Bond.

"Prohibited Transaction" means a "prohibited transaction" as defined in Section 406 of ERISA or Section 4975 of the Code.

"Redemption Account" means the Redemption Account created in the Sinking Fund by the provisions of the Indenture.

"Refunding Fund" means the Refunding Fund created by the provisions of the Indenture.

"Series 2008A Bonds" means the Issuer's $70,000,000 Variable Rate Revenue Bonds (Hampton University), Series 2008A.

"Series 2009 Bond" means the Issuer's $50,000,000 Revenue Bond (Hampton University Project), Series 2009.

"Series 2014 Bonds" means the Series 2014 Bonds authorized, authenticated and issued under the Indenture.

"Series 2014 Note" means the promissory note issued by the University pursuant to the Loan Agreement and assigned to the Trustee, and any replacement note.

"Sinking Fund" means the Interest and Sinking Fund created by the provisions of the Indenture.

"Taxes" means all taxes, water rents, sewer rents, assessments and other governmental or municipal or public or private dues, charges and levies and any prior liens (including federal tax liens) for the Taxes which are or may be levied, imposed or assessed upon the property of the University or any part thereof, or any leases pertaining thereto, or upon the rents, issues, income or profits thereof, whether any or all of the aforementioned be levied directly or indirectly or as excise taxes or as income taxes.

"Termination Payment" means the termination payment due on that certain interest rate swap agreement relating to the Series 2008A Bonds.

"Trust Estate" means the property and other rights assigned by the Issuer to the Trustee in the granting clauses of the Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., and any successor trustee under the Indenture.

"Tuition Revenues" means the amount of "Gross tuition and fees" shown on the University's Financial Statements.

"Unassigned Rights" means the rights of the Issuer under the Loan Agreement (i) to payment of certain costs and expenses under Sections 4.1(c), 4.1(d) and 7.4 of the Loan Agreement, (ii) to release and indemnification under Sections 5.1 and 5.2 of the Loan Agreement, (iii) to access to the Facilities under Section 5.3 of the Loan Agreement, and (iv) to receive notices, reports, opinions, financial statements and the like and, where granted to the Issuer, to approve and withhold approval or consent of matters requiring the approval or consent of the Issuer.

"University" means Hampton University, a nonprofit institute of higher education within the Commonwealth of Virginia and a corporation duly organized and validly existing under the laws thereof, and its successors.

"University Documents" means, collectively, the Loan Agreement, the Series 2014 Note, the Bond Purchase Agreement, and the Disclosure Dissemination Agent Agreement between the University and Digital Assurance Certification, L.L.C.

"Unrestricted Resources" means (a) the amount of "Unrestricted Net Assets" shown on the University's Financial Statements, less (b) the amount of the University's property, plant and equipment, net of accumulated depreciation, calculated under GAAP, less the amount payable for bonds, notes and capital leases payable.

SUMMARY OF THE INDENTURE

Security and Sources of Payment

The Series 2014 Bonds will be issued and secured under the provisions of the Indenture and the Issuer will pledge and assign to the Trustee (i) the Series 2014 Note and all payments received pursuant thereto, (ii) rights under the Loan Agreement (other than Unassigned Rights) and (iii) other moneys to the extent provided in the Indenture, all as security for the payment of the Series 2014 Bonds and the interest and the redemption premium, if any, thereon and as security for the satisfaction of any other obligations created in connection with the Series 2014 Bonds.

Funds Established by the Indenture

Interest and Sinking Fund. An Interest and Sinking Fund is established with the Trustee, in which there is created a Bond Service Account and a Redemption Account. Subject to the terms and conditions set forth in the Indenture, money held for the credit of the Bond Service Account and the Redemption Account shall be held in trust and disbursed by the Trustee for (a) the payment of interest upon the Series 2014 Bonds issued under the Indenture as such interest falls due, (b) the payment of the principal of such Bonds at their respective maturities whether at the stated payment date or by mandatory redemption, or (c) the payment of the purchase price of such Bonds before maturity, and such moneys shall be pledged to and charged with the payments mentioned.

Refunding Fund. A Refunding Fund is established with the Trustee, in which there is created a Series 2008A Refunding Account and a Series 2009 Refunding Account. Moneys held for the credit of the Series 2008A Refunding Account of Refunding Fund shall be transferred (i) to The Bank of New York Mellon Trust Company, N.A., trustee with respect to the Series 2008A Bonds, to cause the Series 2008A Bonds to be redeemed on in full on the Closing Date, and (ii) to PNC Bank, National Association, to satisfy in full the Termination Payment. Moneys held for the credit of the Series 2009 Refunding Account shall be transferred to SunTrust Bank, holder of the Series 2009 Bond, to cause the Series 2009 Bond to be redeemed in full on the Closing Date. Any amounts remaining in the Refunding Fund after the redemption of the Prior Bonds shall be transferred to the Bond Service Account of the Sinking Fund.

Cost of Issuance Fund. A Cost of Issuance Fund is established with the Trustee. Moneys held for the credit of the Cost of Issuance Fund shall be disbursed within 30 days after the Closing Date to pay Costs of Issuance upon written instructions of the University. Any amounts remaining thereafter in the Cost of Issuance Fund shall be transferred to the Bond Service Account of the Sinking Fund.

Investment of Funds

Investment of Moneys. Money held for the credit of the Bond Service Account and the Redemption Account shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in accordance with the written direction of the University in Government Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the money held for the credit of each such Fund or Account will be required for the purposes intended, all subject to any yield restriction imposed by the Code; provided that no bond or other obligation representing any such investment shall mature later than eighteen (18) months after the date of such investment.

Obligations so purchased as an investment of, and any interest-bearing time deposits made with respect to, any money credited to any such Fund or Account shall be deemed at all times to be a part of such Fund or Account, and, except as otherwise provided in the Indenture, the interest accruing on obligations so purchased or on such interest-bearing time deposits and any profit realized from such investment shall be credited to such Fund or Account, and any loss resulting from such investment shall be charged to such Fund or Account. Neither the Trustee nor the Issuer shall be liable or responsible for any loss resulting from any such investment.

For the purpose of determining the amount on deposit to the credit of any such Fund or Account, obligations in which money in such Fund or Account shall have been invested shall be computed at the lesser of the market value or the purchase price of such obligations, including any amount paid as accrued interest at the time of such purchase until the payment of such interest on the next Interest Payment Date.

Tax Covenants

The Issuer agrees that so long as any of the Series 2014 Bonds remain Outstanding, money on deposit in any fund or account maintained in connection with the Series 2014 Bonds, whether or not such money was derived from the proceeds of the sale of the Series 2014 Bonds or from any other sources, will not be used in a manner that the Issuer actually knows would cause the Series 2014 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code; provided, however, that the Issuer shall have no obligation to pay any amounts necessary to comply with this covenant other than from money received by the Issuer from or on behalf of the University. The Trustee shall not take any actions which it actually knows will violate the requirements of Section 148 of said Code. In the event (a) the Trustee receives instructions from the University or (b) the Trustee has received a written opinion of counsel knowledgeable in the subject of tax exempt obligations, that it is necessary to restrict or limit the yield on the investment of money held by the Trustee pursuant to the Indenture, or to use such money in certain manners, in order to avoid the Series 2014 Bonds being considered "arbitrage bonds" within the meaning of Section 148 of the Code as such may be applicable to the Series 2014 Bonds at such time, the Trustee, in the case of receipt of such opinion, shall issue to the University a written certificate to such effect and, in either case, take such action as is specified in such opinion to restrict or limit the yield on such investment or to use such money in accordance with such opinion irrespective of whether the University shares such opinion.

The Issuer covenants that it will not take any action which will, or fail to take any action which failure will, to its actual knowledge, cause interest on any of the Series 2014 Bonds to become includable in the gross income of the owner thereof for federal income tax purposes pursuant to the provisions of the Code in effect which are applicable to the Series 2014 Bonds, provided, however, that the Issuer shall have no obligation to pay any amounts necessary to comply with this covenant other than from money received by the Issuer from or on behalf of the University, it being understood that all decisions with respect to investment and use of proceeds are to be made by the University.

Particular Covenants

Covenant to Perform. The Issuer covenants that it will faithfully perform at all times its covenants, undertakings and agreements contained in the Indenture, or in any Bond executed, authenticated and delivered under the Indenture or in any proceedings of the Issuer pertaining thereto; provided, however, that the Issuer shall have no obligation to pay any amounts necessary to comply with this covenant other than from money received from or on behalf of the University. The Issuer finds and covenants that it is duly authorized under the Constitution and laws of the Commonwealth of Virginia, including particularly the Act, to issue the Series 2014 Bonds authorized hereby and to enter into the Indenture and the Loan Agreement and to pledge the Trust Estate in the manner and to the extent set forth in the Indenture; that all action on its part for the issuance of the Series 2014 Bonds initially issued under the Indenture and the execution and delivery of the Indenture has been duly and effectively taken; and that such Bonds in the hands of the Owners thereof are and will be valid and enforceable special obligations of the Issuer according to their terms.

Payment of Principal, Interest and Premium. The Issuer covenants that it will promptly pay from the Trust Estate the principal of and the interest and any redemption premium on every Bond issued under the provisions of the Indenture at the places, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof and has made arrangements therefor by assigning all right, title and interests of the Issuer, except Unassigned Rights, to the Trustee and has directed the University to make payments directly to the Trustee.

THE SERIES 2014 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE CREATED IN THE GRANTING CLAUSES OF THE INDENTURE, INCLUDING THE LOAN AGREEMENT, THE SERIES 2014 NOTE AND ALL PAYMENTS RECEIVED PURSUANT THERETO, AND THE FUNDS, ACCOUNTS AND MONEYS PLEDGED UNDER THE INDENTURE OR UNDER THE LOAN AGREEMENT (EXCEPT FOR UNASSIGNED RIGHTS), WHICH TRUST ESTATE IS PLEDGED AND ASSIGNED TO THE TRUSTEE TO SECURE PAYMENT OF THE SERIES 2014 BONDS IN THE MANNER AND TO THE EXTENT DESCRIBED IN THE INDENTURE.

THE SERIES 2014 BONDS ARE NOT A DEBT OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH OF VIRGINIA, NOR ANY POLITICAL SUBDIVISION THEREOF, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS OR OTHER COSTS INCIDENT THERETO AND THE OBLIGATION OF THE ISSUER TO PAY IS LIMITED TO THE TRUST ESTATE AS DESCRIBED ABOVE. IN NO EVENT SHALL THE SERIES 2014 BONDS CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT RESTRICTION. NO OFFICER OR DIRECTOR OF THE ISSUER SHALL BE PERSONALLY LIABLE ON THE SERIES 2014 BONDS.

Covenants as to Liens. The Issuer covenants that it will not create any lien, encumbrance or charge upon any Fund or Account created under the provisions of the Indenture (other than such as may be imposed by the execution of the Loan Agreement or by the Indenture), or upon the Trust Estate, except the lien and charge of the Series 2014 Bonds secured hereby upon the Trust Estate and that, from the Trust Estate, it will cause the University to discharge, or make adequate provision to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other items which, if unpaid, might by law become a lien upon the Trust Estate; provided, however, that nothing in the Indenture shall require the Issuer to ascertain the existence of any such lien, encumbrance or charge, or to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Defaults and Remedies

Events of Default. Each of the following events constitutes an "Event of Default":

(a) Default in the due and punctual payment of interest on any of the Series 2014 Bonds;

(b) Default in the due and punctual payment of the principal of or premium, if any, on any of the Series 2014 Bonds, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Series 2014 Bonds and failure to remedy the same after notice thereof pursuant to the Indenture; or

(d) The occurrence of a default under the Loan Agreement.

<u>Acceleration of Maturities</u>. Subject to the indemnification of the Trustee, upon the happening and continuance of any Event of Default (i) specified in subsection (a) or (b) above, the Trustee may, and upon the written request of the Bondowners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall, and (ii) specified in subsection (c) or (d) above, the Trustee, upon written notice from the Issuer, or upon the written request of the Bondowners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, shall by notice in writing to the Issuer and the University, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Series 2014 Bonds or in the Indenture to the contrary notwithstanding; provided, however, that if at any time after the principal of Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, money shall have accumulated in the Sinking Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due and payable by its terms and the interest accrued on such since the last Interest Payment Date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Issuer under the Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Series 2014 Bonds or in the Indenture (other than a default in the payment of the principal of such Bonds then due only because of a declaration under the Indenture) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration under the Indenture shall not be deemed to be due and payable by their terms) and then Outstanding shall, by written notice to the Issuer and the University, rescind and annul such declaration and its consequences, but no such rescission of annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

<u>Enforcement of Remedies</u>. Subject to the indemnification of the Trustee, upon the happening and continuance of any Event of Default (i) specified in subsection (a) or (b) above, then and in every such case the Trustee may proceed and upon the written request of the Bondowners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall proceed and (ii) specified in subsection (c) or (d) above, the Trustee upon written notice from the Issuer, or upon the written request of the Bondowners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, shall proceed, subject to the provisions of the Indenture, to protect and enforce its rights and the rights of the Bondowners under the laws of the Commonwealth of Virginia or under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default becoming and remaining due for principal, interest or otherwise under any of the provisions of the Indenture or of the Series 2014 Bonds, together with interest on overdue payments of principal at the rate or rates or interest payable on any Bonds Outstanding and all costs and expenses of collection and of all proceedings under the Indenture, without prejudice to any other right or remedy of the Trustee or of the Bondowners and to recover and enforce any judgment or decree against the Bondowners, but solely as provided herein, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money available for such purposes), in any manner provided by law, the money adjudged or decreed to be payable.

<u>Application of Moneys</u>. Anything in the Indenture to the contrary notwithstanding, if at any time the moneys in the Sinking Fund shall not be sufficient to pay the principal of or premium, if any, or interest on the Series 2014 Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of the Indenture), such moneys, together with any moneys then available or thereafter becoming available for such purpose, through the exercise of the remedies provided for in the Indenture or otherwise,

shall be applied, following the satisfaction of any payments due to the Trustee under the provisions of the Indenture and any payments due to the Issuer under the provisions of the Loan Agreement, as follows:

(a) if the principal of all the Series 2014 Bonds shall not have become due and payable either in accordance with their terms or by acceleration, all such moneys shall be applied:

first: to the payment of all installments of interest then due and payable in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2014 Bonds;

second: to the payment of the unpaid principal of and premium, if any, on any of such Bonds which shall have become due and payable (other than Bonds deemed to have been paid in accordance with the Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such Bonds due and payable on any particular date, then to the payment first of such principal and premium, if any, ratably, according to the amount of such principal and premium, if any, due on such date, without any discrimination or preference; and

third: to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of the Indenture.

(b) If the principal of all the Series 2014 Bonds shall have become due and payable either in accordance with their terms or by acceleration, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due upon the Series 2014 Bonds, without preference or priority of principal and premium, if any, over interest or of interest over principal and premium, if any, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2014 Bonds.

(c) If the principal of all the Series 2014 Bonds shall have become immediately due and payable under the provisions of the Indenture and if such acceleration shall thereafter have been rescinded and annulled, then, subject to the provisions of paragraph (b) above in the event that the principal of all such Bonds shall later become due and payable, the moneys remaining in and thereafter accruing to the Bond Fund for such Bonds shall be applied in accordance with the provisions of paragraph (a) above.

<u>Right of Owners to Direct Proceedings</u>. The Owners of a majority in aggregate principal amount of the Series 2014 Bonds then Outstanding under the Indenture shall have the right, subject to the provisions of the Indenture, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture or the exercise of any trust or power conferred upon the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture and shall not unduly prejudice the rights of those Owners not a party to such majority.

<u>Rights and Remedies of Bondowners</u>. No Owner of any of the Series 2014 Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Indenture or for any other remedy under the Indenture unless such Owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2014 Bonds then Outstanding shall have made written request of the Trustee, after the right to exercise such powers or right of action, as the case may be, shall have accrued, to institute such action, suit or proceeding in its or their name and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer to indemnify are hereby declared in every such case, at the option of

the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy under the Indenture. It is understood and intended that, except as otherwise above provided, no one or more of the Owners of the Series 2014 Bonds hereby secured shall have any right in any manner whatever to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture except in the manner therein provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners of such Outstanding Bonds, and that any individual rights of action or any other right given to one or more of such Owners by law are restricted by the Indenture to the rights and remedies herein provided.

Nothing in the Indenture shall affect or impair the right of any Owner of the Series 2014 Bonds to enforce the payment of the principal of and premium, if any, and interest on such Bond or Bonds, at the time and place in such Bond expressed, except to the extent that any such action would result in the surrender, impairment, waiver or loss of the lien of the Indenture for the equal and ratable benefit of all Owners.

Notice of Default. The Trustee shall mail, by first-class mail, postage prepaid, to all Owners of the Series 2014 Bonds at their addresses as they appear on the registration books, written notice of the occurrence of any Event of Default set forth in the Indenture within 30 days after the occurrence of an Event of Default under Section 702(a) and (b) of the Indenture or after the Trustee shall have notice that any other such Event of Default shall have occurred. The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail any such notice.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondowners. The Issuer and the Trustee may, from time to time and at any time, without the consent of Bondowners, but with the written consent of the University, enter into supplements and amendments to the Indenture:

(a) to cure any ambiguity or defect or omission in the Indenture or in any supplemental trust indenture; or

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders as surety for the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee; or

(c) to confirm the lien of the Indenture or to subject to the Indenture additional revenues, properties or collateral; or

(d) in connection with any other change which, in the opinion of the Trustee, will not restrict, limit or reduce the obligation of the Issuer to pay the principal of and premium, if any, and interest on the Series 2014 Bonds or otherwise impair the security of the Owners of the Series 2014 Bonds under the Indenture; or

(e) to provide for the issuance of Bonds in bearer form, if permitted by law; or

(f) to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture and which shall not, in the opinion of the Trustee, materially and adversely affect the interests of the Bondholders; or

(g) to modify, amend or supplement the Indenture or any supplemental indenture thereto in such manner as may be required for the issuance of a municipal bond insurance policy or other credit enhancement with respect to any series of Bonds; or

(h) to modify, amend or supplement the Indenture or any supplemental trust indenture to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Series 2014 Bonds for sale under the securities laws of any of the states of the United States.

Supplemental Indentures Requiring Consent of Bondowners. The Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall 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 such indenture or indentures supplemental to the Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to, repealing or rescinding, in any particular, any of the terms or provisions of the Indenture or in a supplemental indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge other than the lien and pledge of the Trust Estate created by the Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Series 2014 Bonds required for consent to such supplement or amendment.

Supplemental Agreements

Amendments to Loan Agreement. Without the consent of any owner of the Series 2014 Bonds, the Issuer and the University may enter into, and the Trustee may consent to, such amendments to the Loan Agreement or the Series 2014 Note as, in the opinion of the Trustee, shall not be materially detrimental to the interests of the Bondowners, (a) to cure any ambiguity or defect or omission in the Loan Agreement or Series 2014 Note; (b) to substitute or add additional projects, equipment, machinery or furnishing as part of the Facilities; (c) to grant to or confer upon the Issuer or the Trustee for the benefit of Bondowners, additional rights, remedies, powers, authority or security; (d) to correct or supplement any provisions which may be inconsistent with any other provisions with respect to matters or questions arising under the Indenture, the Loan Agreement or the Series 2014 Note and which shall not, in the opinion of the Trustee, materially or adversely affect the interests of the Bondholders; or (e) upon the written advice of an attorney or firm of attorneys knowledgeable in the subject of tax-exempt obligations, to modify the terms and conditions of the tax covenants contained in the Loan Agreement. Any other amendments to the Loan Agreement or the Series 2014 require approval of the Owners of not less than a majority in aggregate principal amount of the Series 2014 Bonds then Outstanding.

Defeasance

Release of Indenture. When (a) the Series 2014 Bonds secured by the Indenture, or any portion of the Series 2014 Bonds, shall have become due and payable in accordance with their terms or otherwise as provided in the Indenture, and the whole amount of the principal and the interest and premium, if any, so due and payable upon such Series 2014 Bonds shall be paid, or (b) if the Series 2014 Bonds, or any portion of the Series 2014 Bonds, shall not have become due and payable in accordance with their terms, the Trustee shall hold sufficient (i) moneys or (ii) Defeasance Obligations or a combination of (i) and (ii) of this clause (b), the principal of and the interest on which, when due and payable, will provide sufficient money without any further reinvestment to pay the principal of, and the interest and redemption premium, if any, on the Series 2014 Bonds, or any portion of the Series 2014 Bonds, then Outstanding to the maturity date or dates of such Series 2014 Bonds or to the date or dates specified for the redemption thereof, as verified by a nationally recognized independent certified public accountant, and (c) if the Series 2014 Bonds, or any portion of the Series 2014 Bonds, are to be called for redemption, irrevocable instructions to call such Series 2014 Bonds for redemption shall have been given by the Issuer to the Trustee, and (d) sufficient funds shall also have been provided or provision made for paying all other obligations payable under the Indenture with respect to such Series 2014 Bonds, or any portion of Series 2014 Bonds, by the Issuer or under the Loan Agreement by the University, then the right, title and interest of the Trustee in the Funds and Accounts mentioned in the Indenture with respect to such Series 2014 Bonds so paid or deemed to be paid shall thereupon cease, determine and become discharged and in the case provision for payment is made as to all Series 2014 Bonds in accordance with this Section, on demand of the Issuer and upon being furnished with an opinion, in form and substance satisfactory to the Trustee, at the expense of the University, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Indenture have been satisfied, the Trustee shall release the Indenture with respect to such Series 2014 Bonds so paid or deemed to be paid and shall execute such documents to evidence such release as may reasonably be required by the Issuer and, in the event of the defeasance of all Series 2014 Bonds, shall turn over to the Issuer, for the benefit of the University, any surplus in, and all balances remaining in, all Funds and Accounts, other than money held for the redemption or payment of the Series 2014 Bonds. Otherwise, the Indenture shall be, continue and remain in full force and effect.

Miscellaneous

Release of Directors, Officers, Agents and Employees of Issuer. No recourse shall be had for the payment of the principal of or premium, if any, or interest on any Series 2014 Bond, or upon any obligation, covenant, or agreement of the Indenture, against any directors, officers, agents or employees of the Issuer.

SUMMARY OF THE LOAN AGREEMENT

Issuance of Bonds

Agreement to Issue Bonds Application of Proceeds. The Issuer will issue, sell and cause to be delivered to the Trustee for authentication and delivery by the Trustee the Series 2014 Bonds and cause the proceeds of the Series 2014 Bonds to be applied as set forth in the Indenture and the Loan Agreement.

Tax Covenants. The University will not take any action, and will not approve the taking of any action, that would cause the Series 2014 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the Series 2014 Bonds at the time of such action. The University will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2014 Bonds to become includable in the gross income of the Bondholders for federal income tax purposes. The Facilities will continue to be owned by the University or an organization described in Section 501(c)(3) of the Code in accordance with Section 145(a)(1) of the Code. The University will comply with the rebate provisions of the Code. Neither the Issuer nor the University will cause any proceeds of the Series 2014 Bonds to be expended, except pursuant to the provisions of the Indenture and the Loan Agreement.

Affirmative Covenants of the University

Insurance Required. The University shall maintain all insurance coverage as is required by law, and all such other insurance, in commercially reasonable amounts, as is usually obtained in the same geographic areas by entities engaged in the same or similar activities as the University.

Reporting Requirements.

(i) Annual Financial Statements. The University shall furnish to the Trustee, within 150 days after the close of each fiscal year of the University, the complete consolidated Financial Statements for the University and its affiliates, including the balance sheet as of the end of such fiscal year and the related statements of revenues and expenses, changes in fund balance and cash flows of general funds for such fiscal year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year.

(ii) Quarterly Financial Summaries. The University shall furnish to the Trustee, within 45 days after the close of each of the University's fiscal quarters, internally prepared financial summaries for the University for the most recent fiscal quarter of the University, together with year-to-date and comparative figures for the corresponding period for the prior year, certified as true and correct in all respects by the authorized principal financial officer or treasurer of the University.

(iii) Certificate of Compliance. Simultaneously with the delivery of each set of Financial Statements referred to in (i) and (ii) above, the University shall furnish to the Trustee a certificate of the authorized chief financial officer, chief executive officer or treasurer of the University (A) stating whether there exists on the date of such certificate any Event of Default and, if any Event of Default then exists, setting forth the details thereof and the action which the University is taking or proposes to take with respect thereto and (B) certifying that the University is in compliance with certain operating ratios described under "Additional Debt" (below) and containing a detailed computation of such covenants which is tested for the period reported.

(iv) Annual Budget. The University shall furnish to the Trustee, within 30 days after the close of each of the University's fiscal years, an annual operating budget and an annual capital budget for the University.

(v) Endowment and Investments. The University shall furnish to the Trustee, within 45 days after the close of each of the University's fiscal quarters, a summary of endowment and similar investments of the University.

(vi) Additional Reports and Information. The University shall promptly furnish to the Trustee such additional information, reports or statements as the Trustee may designate.

(vii) Reports. The University shall furnish to the Trustee, upon receipt thereof by the University, copies of any letter or report with respect to the management, operations or properties of the University submitted to the University by its accountants, any Governmental Authority or accreditation agency, which relates to material matters regarding the operations, financial condition or properties of the University, and a copy of the University's response, if any.

(viii) ERISA. The University shall furnish to the Trustee notice of the occurrence of any "reportable event" within the meaning of ERISA or any assertion of liability of the University by the PBGC.

Conduct of Business and Maintenance of Existence. The University shall maintain its corporate existence in good standing in the jurisdiction in which it is incorporated and in each other jurisdiction where it is required to register or qualify if the failure to do so in such other jurisdiction might result in a Material Adverse Change.

Compliance with Governmental Requirements. The University shall comply with all applicable Governmental Requirements and observe the valid requirements of Governmental Authorities, the noncompliance with or the nonobservance of which might result in a Material Adverse Change.

Books and Records, Inspection. The University shall maintain a standard system of accounting in accordance with GAAP, and proper books of record and account. The University shall permit authorized representatives of the Trustee to visit and inspect the properties of the University to review and discuss the same, at reasonable times, as often as the Trustee may reasonably request.

Maintenance of Properties. The University will at all times do or cause to be done all things necessary to preserve and to keep in full force and effect its material franchises, leases of real and personal property and permits which are necessary for the orderly continuance of its operations.

Taxes and Claims. The University will at all times pay and discharge, or cause to be paid and discharged, all Taxes imposed upon it or its income or properties prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any of its properties. The University shall have the right to contest the validity of any such Taxes by timely and appropriate proceedings, provided that the University shall (i) give the Trustee written notice of its intention to contest, (ii) diligently prosecute such contest, (iii) at all times effectively stay or prevent any official or judicial sale of any of its properties or any part thereof by reason of nonpayment of any such Taxes and (iv) establish reasonable reserves for such liabilities being contested if the Trustee reasonably determines such reserves to be necessary.

Payment of Indebtedness. The University will make full and timely payment of the principal of and interest on all of its Indebtedness, whether now existing or hereafter arising, and comply in all material respects with all covenants and agreements set forth in instruments evidencing, securing or governing such Indebtedness, unless the amount or validity is contested in good faith by the University in appropriate proceedings; provided, however, that the University shall (i) give the Trustee prior written notice of its intention to contest, (ii) diligently prosecute such contest and (iii) establish reserves for such liabilities being contested if the Trustee reasonably determines such reserves to be necessary.

Notification of Adverse Developments. The University shall promptly notify the Trustee upon obtaining knowledge of the occurrence of: (i) Events of Default; (ii) litigation instituted or threatened against the University where the claims exceed $500,000 and are not covered by insurance or bonded; (iii) any circumstance whereby the Financial Statements fail in any material respect to present fairly, in accordance with GAAP, the financial condition and operational results of the University; (iv) any judicial, administrative or arbitral proceeding against the University which, if adversely decided, could result in a Material Adverse Change; (v) the receipt by the University of any notice, claim or demand from any Governmental Authority which alleges that the University is in violation of laws regulating its operation and activities, where the violation or failure alleged, if true, could result in a Material Adverse Change; and (vi) any other development in the operations, activities or affairs of the University which could reasonably be expected to result in a Material Adverse Change.

Certifications, Accreditations and Licenses. The University will maintain the certifications, accreditations and licenses outstanding on the Closing Date, including without limitation its accreditation from the Commission on the Colleges of the Southern Association of Colleges and Schools.

Hedges. Any hedging arrangement with respect to the interest rate on the Series 2014 Bonds shall be subject to the prior written approval of the Trustee.

Additional Debt. The University will not issue any additional Indebtedness unless: (i) the amount of Unrestricted Resources of the University (calculated by reference to the University's most recent Financial Statements) is equal to or exceeds the pro forma principal amount of Indebtedness of the University then outstanding; and (ii) the maximum Annual Debt Service on all outstanding Indebtedness (including the proposed additional Indebtedness) of the University in the current fiscal year or any future fiscal year shall not at any time exceed 15% of Operating Expenses in the University's then most recent Financial Statements.

Negative Covenants of the University

Negative Pledge. The University will not pledge or encumber: (i) its Tuition Revenues, except as security for additional Indebtedness permitted by the Loan Agreement, if the Trustee is equally and ratably secured by any such security interest, and the Trustee shall have received an Opinion of Counsel satisfactory as to the creation of such security interest and of the parity rights of the Trustee; or (ii) any Main Campus Property, except as mortgage or security for additional Indebtedness permitted by the Loan Agreement, if the Trustee is equally and ratably secured by any such mortgage or security interest, and the Trustee shall have received an Opinion of Counsel satisfactory as to the creation of such mortgage or security interest and the parity rights of the Trustee.

Indebtedness. The University will incur further Indebtedness except as permitted by the operational ratios described in the Loan Agreement (see "Additional Debt," above), and except for other Indebtedness owed to the Trustee or accounts trade debt arising in the ordinary course of business and not past due.

Sale of Assets; Loans. The University will not (a) sell, lease, transfer or otherwise dispose of all or any of its property or assets (including, without limitation, any cash or investments) other than in the ordinary course of the University's business, in excess of $5,000,000; or (b) have outstanding any loans or advances to or otherwise extend credit to any person, except in the ordinary course of business, unless immediately following any such transfer, loan or extension of credit, the University's Unrestricted Resources are equal to or greater than the aggregate of (i) the then outstanding principal amount of the University's Indebtedness and (ii) any of the University's Indebtedness that the University expects to incur in its then or immediate subsequent fiscal year, all as evidenced by a certificate executed by the University's President or Chief Financial Officer and delivered to the Trustee at least thirty (30) days before any such transfer, loan or extension of credit.

Fundamental Changes. The University will not liquidate, or dissolve, or merge or consolidate with any person, or make acquisitions of all or substantially all of the property or assets of any person, other than property or assets required or useful in the ordinary course of business of the University, and investments permitted by the Trustee.

Accounting Method. The University shall not change the method of accounting employed in the preparation of its Financial Statements, unless required to conform to GAAP and on the condition that the University's accountants shall furnish such information as the Trustee may request to reconcile the changes with the University's prior Financial Statements.

Fiscal Year. The University shall not change its fiscal year from a year ending on June 30.

Charter Amendments. The University shall not materially amend or terminate its corporate charter or bylaws.

Affiliates. The University shall not enter into or participate in any transaction with an affiliate or subsidiary except on terms and at rates no more favorable than those which would have prevailed in an arm's length transaction between unrelated third parties.

Sale and Leaseback Transactions. The University shall not sell or transfer any property in order to concurrently or subsequently lease as lessee such or similar property.

Name of University. The University shall promptly notify the Trustee in writing of any proposed name change of the University.

ERISA Compliance. The University shall not (i) restate or amend any Plan established and maintained by the University or any Commonly Controlled Entity in a manner designed to disqualify such Plan under the applicable requirements of the Code; (ii) permit any officers or members of the University or any Commonly Controlled Entity to materially adversely affect the qualified tax-exempt status of any Plan of the University or any Commonly Controlled Entity; (iii) engage in or permit any Commonly Controlled Entity to engage in any Prohibited Transaction; (iv) incur or permit any Commonly Controlled Entity to incur any Accumulated Funding Deficiency, whether or not waived, in connection with any Plan; (v) take or permit any Commonly Controlled Entity to take any action or fail to take any action which causes a termination of any Plan in a manner which could result in the imposition of a lien on the property of the University or any Commonly Controlled Entity pursuant to Section 4068 of ERISA; (vi) fail to notify the Trustee that notice has been received of a termination of any Multiemployer Plan to which the University or any Commonly Controlled Entity has an obligation to contribute; (vii) incur or permit any Commonly Controlled Entity to incur a complete or partial withdrawal from any Multiemployer Plan to which the University or any Commonly Controlled Entity has an obligation to contribute; or (viii) fail to notify the Trustee that notice has been received from the administrator of any Multiemployer Plan to which the University or any Commonly Controlled Entity has an obligation to contribute that any such plan will be placed in "reorganization".

501(c)(3) Status. The University shall not perform any act or enter into any agreement that shall cause any revocation or adverse modification of its status as an organization described in Section 501(c)(3) of the Code, or carry on or permit to be carried on in the facilities of the University or permit such facilities to be used in or for any trade or business the conduct of which is not substantially related to the exercise or performance by the University of the purposes or functions constituting the basis for its exemption under Section 501(c)(3) of the Code if such use of such facilities would result in the loss of the University's exempt status under Section 501(c)(3) of the Code.

Payment Provisions

Amounts Payable. The University shall pay to the Trustee for the account of the Issuer all amounts payable under the Loan Agreement or the Indenture in installments, in the amounts, and at the times set forth in the Series 2014 Bonds, or on any other date that payments are required to be made to the Trustee pursuant to the Indenture in order to effect payment on the dates fixed for redemption or maturity of the Series 2014 Bonds pursuant to the Indenture in order for the Issuer to cause payment to be made to the Bondholders of the principal of and premium, if any, and interest on the Series 2014 Bonds, whether at maturity, upon redemption or otherwise; provided that any amount credited under the Indenture against any payment required to be made to the Issuer thereunder shall be credited against the corresponding payment to be made by the University. The University covenants that it will, at least one Business Day prior to any scheduled principal or interest payment date for the Series 2014 Bonds, make payments necessary to allow the Trustee to make all scheduled payments of principal and interest on the Series 2014 Bonds, and in all events the University covenants that it will unconditionally make, without setoff or counterclaim, such payments at such times and in such amounts to assure that the payment of all principal of and premium, if any, and all interest on the Series 2014 Bonds shall be made when due.

The University shall also pay the reasonable fees, charges and expenses of the Issuer and the Trustee incurred under the Loan Agreement and the Indenture and any reasonable expenses incurred in connection with the purchase or redemption of the Series 2014 Bonds.

The Series 2014 Note, which the Issuer shall assign to the Trustee as part of the Trust Estate for the Series 2014 Bonds, evidences the University's payment obligations under the Loan Agreement, except insofar as they constitute Unassigned Rights.

Obligations of the University Unconditional. Until Payment of the Bonds, the obligations of the University under the Loan Agreement and the Series 2014 Note shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise.

Events of Default and Remedies

Events of Default Defined. Events of Default are defined in the Loan Agreement to include (a) failure of the University to make any payments thereunder or under the Series 2014 Note as the same become due and payable, (b) failure of the University to perform, observe or comply with any other covenant, condition or agreement on its part to be observed or performed, and such failure continues for a period of 30 days (or such longer period of time granted by the Trustee and the Issuer, not to exceed 120 days), after the date on which written notice of such failure shall have been given to the University by the Issuer or the Trustee, or (c) an Event of Default or default existing under any of the University Documents.

Remedies on Default. Upon the occurrence and continuation of an Event of Default under the Loan Agreement, the Issuer, or the Trustee in the place and stead of the Issuer, subject to the provisions of the Indenture, may declare all Payment Installments to be immediately due and payable and/or take whatever action at law or in equity necessary or desirable to collect such payments then due or to enforce performance, observance or compliance by the University with any covenant, condition or agreement by the University under the Loan Agreement or any other University Document. No remedy is exclusive.

Prepayment

Option to Prepay. The University has the right to prepay its obligations under the Loan Agreement on the same terms and conditions and upon the same notice stated in the optional, extraordinary optional, and "change in use" redemption provisions of the Indenture.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

November 26, 2014

Virginia Small Business Financing Authority
Richmond, Virginia

The Bank of New York Mellon Trust Company, N.A.
Pittsburgh, Pennsylvania

$115,090,000
Virginia Small Business Financing Authority
Refunding Revenue Bonds
(Hampton University)
Series 2014

Ladies and Gentlemen:

We have examined the Virginia Small Business Financing Act, Article 7, Chapter 22, Title 2.2 of the Code of Virginia of 1950, as amended (the "Act"), certified copies of the proceedings of the Virginia Small Business Financing Authority (the "Issuer") approving the sale of the Issuer's $115,090,000 Refunding Revenue Bonds (Hampton University), Series 2014 (the "Series 2014 Bonds"), and other proofs submitted relative to the issuance and sale of the Series 2014 Bonds.

The Series 2014 Bonds are issued under and pursuant to a Trust Indenture dated as of November 1, 2014, between The Bank of New York Mellon Trust Company, N.A., as trustee, and the Issuer (the "Indenture") and the proceeds of the Series 2014 Bonds are being loaned to Hampton University (the "University") pursuant to a Loan Agreement dated as of November 1, 2014, between the Issuer and the University. Capitalized terms used but not otherwise defined herein shall have the meanings given such terms in the Indenture or the Loan Agreement.

The Series 2014 Bonds shall mature on the dates and in the amounts, and bear interest at the respective rates per annum payable on the respective dates, all as set forth in the Indenture.

The Series 2014 Bonds are issuable as registered bonds without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2014 Bonds.

The Series 2014 Bonds are subject to redemption prior to their maturities in the events and at the times set forth in the Indenture.

The proceeds of the Series 2014 Bonds will be used by the University to (a) pay the cost of refunding the Issuer's (i) $70,000,000 Variable Rate Revenue Bonds (Hampton University), Series 2008A (the "Series 2008A Bonds"), and (ii) $50,000,000 Revenue Bond (Hampton University Project), Series 2009; (b) pay the termination payment on an interest rate swap agreement relating to the Series 2008A Bonds; and (c) finance costs of issuance of the Series 2014 Bonds.

We have examined and relied on certifications of representatives of the University and the Issuer as to questions of certain facts material to this opinion. Failure by the University or the Issuer to comply, subsequent to the issuance of the Series 2014 Bonds, with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of bond proceeds, the use of the facilities refinanced with the proceeds of the Series 2014 Bonds and the timely payment of certain investment earnings of bond proceeds or penalties to the Treasury of the United States, may cause interest on the Series 2014 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. The University and the Issuer have covenanted to take all action necessary under the Code to ensure that interest on the Series 2014 Bonds will retain its status as not includable in gross income for federal income tax purposes under current tax law and to refrain from taking any action adverse to such status.

We have also examined a specimen copy of the Series 2014 Bonds, the Indenture and the Loan Agreement.

Based on the foregoing, we are of the opinion that:

1. The Issuer is duly organized and existing as a body politic and corporate and a political subdivision of the Commonwealth of Virginia, having the powers and authority set forth in the Act.

2. The Series 2014 Bonds have been duly authorized, executed, delivered, issued and sold, and are valid and binding limited obligations of the Issuer payable in accordance with their terms.

3. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer enforceable in accordance with their respective terms. The Issuer's obligations under the Indenture and the Loan Agreement are subject to bankruptcy, insolvency and other laws affecting creditors' rights generally, now or hereafter in effect, and usual equity principles.

4. The Series 2014 Bonds are not a debt of the Commonwealth of Virginia or any political subdivision thereof, including the Issuer, but shall be payable solely from the sources provided therefor as provided in the Indenture, and neither the Commonwealth of Virginia, nor any political subdivision thereof, including the Issuer, shall be obligated to pay the Series 2014 Bonds or the interest thereon or other costs incident thereto except from such sources. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia, or any political subdivision thereof, is pledged to the payment of the principal of or interest on the Series 2014 Bonds or other costs incident thereto. The Issuer has no taxing power.

5. Under existing statutes, regulations and rulings, interest on the Series 2014 Bonds is not included in gross income of owners of the Series 2014 Bonds for federal income tax purposes, and interest on the Series 2014 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax applicable to corporations.

6. Under existing statutes, interest on the Series 2014 Bonds is exempt from all income taxation by the Commonwealth of Virginia and any political subdivision thereof.

Very truly yours,

APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of November 26, 2014, is executed and delivered by Hampton University (the "University") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Dissemination Agent" or "DAC") for the benefit of the holders of the Virginia Small Business Financing Authority of its Refunding Revenue Bonds (Hampton University), Series 2014 (the "Series 2014 Bonds") in the aggregate principal amount of $115,090,000.

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the University 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 University or anyone on the University'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.

The University covenants and agrees as follows:

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" shall mean any Annual Report provided by the University pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University pursuant to Section 8 below.

"Failure to File Event" shall mean the University's failure to file an Annual Report on or before the required filing date set forth in Section 2(a) hereof (or, if such date falls on a Saturday, Sunday or holiday, then the first business day thereafter).

"Fiscal Year" shall mean the twelve-month period at the end of which the financial position of the University and its affiliates and results of their operations for such period are determined. Currently, the University's Fiscal Year begins on July 1 and ends on June 30.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Series 2014 Bond.

"Listed Events" shall have the meaning given in Section 4 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement dated November 19, 2014, relating to the Series 2014 Bonds.

''Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Underwriters" shall mean the original underwriters of the Series 2014 Bonds required to comply with the Rule in connection with the offering of the Series 2014 Bonds, namely, Rice Financial Products Company, Inc., PNC Capital Markets LLC and SunTrust Robinson Humphrey, Inc.

2. Provision of Annual Reports and Quarterly Statements.

(a) Not later than one hundred and fifty days (150) days following the end of each Fiscal Year of the University, commencing with the Fiscal Year ending June 30, 2015, the University shall provide to the Dissemination Agent, which shall immediately provide to the MSRB, an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. In each case, the Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB and the Annual Report may cross-reference other information as provided in Section 3 of this Disclosure Agreement; provided that the audited financial statements of the University may be submitted separately from the balance of the Annual Report and later than the due date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year of the University changes, the University shall give, or shall cause to be given, notice of such change in the same manner as for a Listed Event under Section 4.

(b) Not later than forty five days (45) days following the end of each fiscal quarter of the University, commencing with the fiscal quarter ending December 31, 2014 (other than the end of the fiscal quarter which corresponds with the end of the University's Fiscal Year), the University shall provide to the Dissemination Agent, which shall immediately provide to the MSRB, unaudited internally prepared financial summaries for the University for such fiscal quarter, including a balance sheet, a cash flow statement and a consolidated statement of operations, together with year-to-date and comparative figures for the corresponding period for the prior year.

(c) If the Dissemination Agent has not received an Annual Report by 6:00 p.m. Eastern time on the required filing date set forth in Section 2(a) hereof (or, if such date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the University hereby irrevocably directs the Dissemination Agent to immediately send an event notice to the MSRB describing the Failure to File Event.

3. Content of Annual Reports. Each Annual Report required to be filed hereunder shall contain or include by reference the following:

(a) The audited consolidated annual financial statements of the University for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles, which shall include the balance sheet as of the end of such Fiscal Year and the related statements of revenues and expenses, changes in fund balance and cash flows of general funds for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year. If the University's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited consolidated financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the following information contained in **APPENDIX A** to the Official Statement, to the extent not included in the financial statements (including notes thereto) described in Section 3(a) above: Student Headcount Enrollment; Student Full Time Equivalent Enrollment; Retention Rates (Freshman to Sophomore); and Tuition and Fees.

Any or all of the items required by Sections 2 or 3 may be included by specific reference to other documents, including official statements of debt issues with respect to which the University or any of its affiliates is an "obligated person" (as defined by the Rule). If the document included by reference is a final official statement, it must be available from the MSRB. The University shall clearly identify each such other document so included by reference.

4. Reporting of Listed and Other Events. The University will provide within ten (10) business days to the Dissemination Agent, which shall immediately provide to the MSRB, notice of any of the following events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows (the "Listed Events"):

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) 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 Series 2014 Bonds, or other material events affecting the tax status of the Series 2014 Bonds;

(g) modifications of rights of Holders, if material;

(h) bond calls, if material, and tender offers;

(i) defeasances of all or a portion of the Series 2014 Bonds;

(j) release, substitution, or sale of property securing repayment of the Series 2014 Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the University;

(m) the consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Note: for the purposes of the event identified in Section 4(l), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the University in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the University, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University.

The Dissemination Agent is under no obligation to notify the University of an event that may constitute a Listed Event. However, in the event the Dissemination Agent so notifies the University, the University will within two business days of receipt of such notice (but in any event not later than the tenth (10th) business day after the occurrence of the Listed Event, if the University determines that a Listed Event has occurred), instruct the Dissemination Agent that (i) a Listed Event has not occurred and no filing is to be made or (ii) a Listed Event has occurred and the Dissemination Agent is to report the occurrence pursuant to this Section 4.

5. CUSIP Numbers. The University shall cause the Dissemination Agent to reference the CUSIP prefix number for the Series 2014 Bonds in any notice provided to the MSRB pursuant to this Disclosure Agreement.

6. Voluntary Disclosure. The University may instruct the Dissemination Agent to file any voluntary event disclosure with the MSRB from time to time pursuant to the delivery and certification by the University of the same to the Dissemination Agent. Such certification shall include the text of the disclosure that the University desires to make, contain the written authorization of the University for the Dissemination Agent to disseminate such information, and identify the date the University desires for the Dissemination Agent to disseminate the information. If the Dissemination Agent has been instructed by the University as prescribed in this Section 6 to file a voluntary event disclosure, the Dissemination Agent shall promptly file such disclosure with the MSRB.

7. Termination of Reporting Obligation. The obligations of the University under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Series 2014 Bonds, or upon delivery by the University to the Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

8. Dissemination Agent. The University may, upon thirty (30) days written notice to the Dissemination Agent and the Trustee, replace or appoint a successor Dissemination Agent. Upon termination of DAC's services as Dissemination Agent, whether by notice of the University or DAC, the University agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Series 2014 Bonds. Notwithstanding any replacement or appointment of a successor, the University shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the University.

9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the University and the 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 Issuer and the Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Series 2014 Bonds or that such amendment is permitted or required by the Rule.

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

11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, quarterly report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the University chooses to include any information in any Annual Report, quarterly report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, quarterly report or notice of occurrence of a Listed Event.

12. Default. Any person referred to in Section 13 may take such action as may be permitted by law against the University to secure compliance with the obligations of the University to file its Annual Report or quarterly reports or to give notice of a Listed Event. In addition, Holder of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the University hereunder. A default under this Disclosure Agreement shall not be an event of default under the Series 2014 Bonds or its related documents, and the sole remedy under this Disclosure Agreement in the event of any

failure of the University to comply herewith shall be an action of compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

13. Beneficiaries. This Disclosure Agreement shall inure to the benefit of the Underwriters, the Trustee and the Holders, and shall create no rights in any other person or entity.

14. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the University has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The 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 University and shall not be deemed to be acting in any fiduciary capacity for the University, the Holders of the Series 2014 Bonds or any other party. The Dissemination Agent shall have no responsibility for the University's failure to report to the Dissemination Agent a Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the University has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the University at all times. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Series 2014 Bonds. The 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 University.

15. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

16. 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.

HAMPTON UNIVERSITY

By:____
Vice President for Business Affairs
and Treasurer

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

By: ____________________________________
Vice President

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HAMPTON UNIVERSITY
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