NEW ISSUE **Rating:**
Book-Entry Only **See "RATING" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2016 Bonds. See "TAX MATTERS."

KUCDC

$326,945,000
Public Finance Authority
Lease Development Revenue Bonds
(KU Campus Development Corporation - Central District Development Project)
Series 2016

Dated: Date of Delivery **Due: March 1, as shown herein**

The Series 2016 Bonds referenced above (the "*Series 2016 Bonds*") will be issued by the Public Finance Authority (the "*Authority*") pursuant to a Trust Indenture dated as of January 1, 2016 (the "*Indenture*"), between the Authority and U.S. Bank National Association, as trustee (the "*Trustee*"). The Series 2016 Bonds will consist of fully registered bonds without coupons in denominations of $5,000 or integral multiples thereof. The Depository Trust Company, New York, New York ("*DTC*") will act as securities depository for the Series 2016 Bonds. Purchases of beneficial ownership interests in the Series 2016 Bonds will be made in book-entry form. See the caption "THE SERIES 2016 BONDS—Book-Entry Only System" herein. The Series 2016 Bonds will be dated as of the date of delivery and will become due on March 1, as set forth on the inside cover page hereof. Principal and premium, if any, will be payable upon the presentation and surrender of the Series 2016 Bonds at the principal corporate trust office of the Trustee. Interest on the Series 2016 Bonds will be payable each March 1 and September 1, commencing March 1, 2016, as more fully described herein.

MATURITY SCHEDULE—SEE INSIDE FRONT COVER PAGE

The Series 2016 Bonds are payable primarily from loan payments (as further defined herein, the "*Loan Repayments*") to be made under a Loan Agreement dated as of January 1, 2016 (the "*Loan Agreement*"), between the Authority and the KU Campus Development Corporation (the "*Corporation*," the "*Borrower*" or "*KUCDC*"), which are pledged and assigned by the Authority to the Trustee for payment of the Series 2016 Bonds in accordance with the Indenture. The Series 2016 Bonds will be equally and ratably secured by (i) all moneys, if any, received by the Trustee directly from the Corporation pursuant to the Loan Agreement, including Loan Repayments, and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture (collectively, the "*Payments*") and any other amounts (excluding proceeds of the sale of Bonds (as defined below) held in certain funds and accounts established pursuant to the Indenture, subject in all cases to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. Under the Indenture, Additional Bonds may be issued by the Authority on a parity with the Series 2016 Bonds (such Additional Bonds, together with the Series 2016 Bonds, are collectively referred to as the "*Bonds*" herein). The sole source of revenues of the Corporation to make Payments, including Loan Repayments, will be lease payments ("*Base Lease Payments*") made by the University of Kansas (the "*University*") pursuant to a Sublease Agreement (the "*Sublease*"), to be dated its date of delivery, between the University (as tenant) and the Corporation (as landlord). Upon issuance of the Series 2016 Bonds, the Sublease requires the University to make Base Lease Payments on dates certain in amounts equal to the Loan Repayments and all fees, expenses and other amounts payable to the Authority and the Trustee pursuant to the Indenture and the Loan Agreement. **The obligation of the University to make Base Lease Payments will be absolute and unconditional and not subject to abatement or suspension for any reason, including, without limitation, failure of the Developer (described herein) to complete the Project (defined below) or failure of KUCDC to deliver the Project, upon completion, to the University.**

The Series 2016 Bonds will be issued for the purpose of (i) financing the costs of the design, construction and development of the University's Central District Development project, as described herein (the "*Project*"), on the Lawrence, Kansas campus of the University, (ii) financing capitalized interest, and (iii) paying certain costs of issuance of the Series 2016 Bonds, as described herein.

THE SERIES 2016 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE FUNDS PLEDGED FOR THEIR PAYMENT PURSUANT TO THE INDENTURE AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER (AS DEFINED HEREIN), ANY SPONSOR (AS DEFINED HEREIN), THE STATE OF WISCONSIN, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST THEREON OR ANY COSTS INCIDENTAL THERETO. THE SERIES 2016 BONDS DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, ANY MEMBER, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS OR ANY COSTS INCIDENTAL THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, NOR THE FAITH AND CREDIT OF THE AUTHORITY OR OF ANY SPONSOR OR AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS OR ANY COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER.

THE SERIES 2016 BONDS DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER THE STATE OF KANSAS OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF KANSAS OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS.

The Series 2016 Bonds are subject to redemption prior to maturity and to certain redemption risks as described under the caption "THE SERIES 2016 BONDS" herein.

The Series 2016 Bonds are being offered when, as and if issued by the Authority subject to the receipt of the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, von Briesen & Roper, s.c., for the University by its special disclosure counsel, Kutak Rock LLP, for the University by James P. Pottorff, Jr., its General Counsel, for the Corporation and for the University by their special counsel, Pillsbury Winthrop Shaw Pittman LLP, for the University by its special counsel, Barber Emerson, L.C., with respect to the enforceability of the Sublease against the University, and for the Underwriters by their counsel, Chapman and Cutler LLP. It is expected that the Series 2016 Bonds will be available for delivery to DTC in New York, New York on or about January 21, 2016.

J.P. MORGAN

BOFA MERRILL LYNCH **BARCLAYS** **GEORGE K. BAUM & COMPANY** **WELLS FARGO SECURITIES**

The date of this Official Statement is January 7, 2016

Maturity Schedule

$326,945,000
Public Finance Authority
Lease Development Revenue Bonds
(KU Campus Development Corporation - Central District Development Project)
Series 2016

Due March 1 of the Year	Amount	Interest Rate	Yield	Price	CUSIP*
2018	$1,620,000	4.00%	0.890%	106.489	74444YAA2
2019	4,800,000	5.00	1.080	111.960	74444YAB0
2020	5,180,000	5.00	1.230	115.067	74444YAC8
2021	5,570,000	5.00	1.380	117.804	74444YAD6
2022	5,990,000	5.00	1.540	120.104	74444YAE4
2023	6,430,000	5.00	1.750	121.640	74444YAF1
2024	6,890,000	5.00	1.920	123.030	74444YAG9
2025	7,385,000	5.00	2.080	124.119	74444YAH7
2026	7,900,000	5.00	2.190	125.360	74444YAJ3
2027	8,445,000	5.00	2.330	123.926†	74444YAK0
2028	8,870,000	5.00	2.470	122.512†	74444YAL8
2029	9,325,000	5.00	2.580	121.414†	74444YAM6
2030	9,780,000	5.00	2.680	120.426†	74444YAN4
2031	10,265,000	5.00	2.750	119.740†	74444YAP9
2032	10,785,000	5.00	2.800	119.253†	74444YAQ7
2033	11,315,000	5.00	2.850	118.768†	74444YAR5
2034	11,880,000	5.00	2.900	118.286†	74444YAS3
2035	12,475,000	5.00	2.960	117.710†	74444YAT1
2036	13,095,000	5.00	3.020	117.138†	74444YAU8

$76,010,000, 5.00% Term Bonds due March 1, 2041, Price: 114.975† to Yield 3.250%, CUSIP* 74444YAV6
$92,935,000, 5.00% Term Bonds due March 1, 2046, Price: 114.418† to Yield 3.310%, CUSIP* 74444YAW4

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* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been included solely for the convenience of the owners of the Series 2016 Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Corporation, the University or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

† Priced to first call date of March 1, 2026.

REGARDING THE OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2016 Bonds identified on the cover. No dealer, broker, salesperson or other person has been authorized by the Authority, the Corporation, the University or the Underwriters to give any information or to make any representation with respect to the Series 2016 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 Authority, the Corporation, 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 2016 Bonds, by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2016 Bonds.

Neither the Authority, any Member, any Sponsor, or their respective counsel, members, agents, employees or representatives have reviewed this Official Statement, or investigated the statements or representations contained herein, except for those statements relating to the Authority set forth under the captions "THE AUTHORITY" and "LITIGATION – The Authority." Except with respect to such statements under the captions "THE AUTHORITY" and "LITIGATION – The Authority", none of the Authority, any Member, any Sponsor, or their respective counsel, members, agents, employees or representatives make any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. No director, officer, employee, designated signatory or any other person executing the Series 2016 Bonds is subject to personal liability by reason of their execution of the Series 2016 Bonds.

This Official Statement has been approved by the Corporation and the University and its use and distribution for the purposes of offering and selling the Series 2016 Bonds have been authorized by the Authority, the Corporation and the University. The information set forth herein has been obtained from the Corporation, the University and the Authority (but only to the extent described in the immediately preceding paragraph), DTC and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, any of the Underwriters, either financial advisor described herein or the Authority. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. 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 will, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority, the Corporation, the University or DTC since the date of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT CERTAIN TRANSACTIONS THAT STABILIZE THE PRICE OF THE SERIES 2016 BONDS. SUCH TRANSACTIONS MAY CONSIST OF BIDS OR PURCHASES FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE SERIES 2016 BONDS. IN ADDITION, IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT (THAT IS, SELL MORE THAN THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES 2016 BONDS SET FORTH ON THE COVER PAGE OF THIS OFFICIAL STATEMENT) AND THEREBY CREATE A SHORT POSITION IN SUCH SERIES 2016 BONDS. THE UNDERWRITERS MAY REDUCE THAT SHORT POSITION BY PURCHASING BONDS IN THE OPEN MARKET. IN GENERAL, PURCHASES OF A SECURITY FOR THE PURPOSE OF STABILIZATION OR TO REDUCE A SHORT POSITION COULD CAUSE THE PRICE OF A SECURITY TO BE HIGHER THAN IT MIGHT OTHERWISE BE IN THE ABSENCE OF SUCH PURCHASES. THE UNDERWRITERS MAKE NO REPRESENTATION OR PREDICTION AS TO THE DIRECTION OR THE MAGNITUDE OF ANY EFFECT THAT THE TRANSACTIONS DESCRIBED ABOVE MAY HAVE ON THE PRICE OF THE SERIES 2016 BONDS. IN ADDITION, THE UNDERWRITERS MAKE NO REPRESENTATION THAT THEY WILL ENGAGE IN SUCH TRANSACTIONS OR THAT SUCH TRANSACTIONS, IF COMMENCED, WILL NOT BE DISCONTINUED, AT ANY TIME, WITHOUT NOTICE.

KUCDC and the University, to the fullest extent permitted by law, have agreed to indemnify the Underwriters and the Authority against certain liabilities arising out of or based upon any untrue statements or alleged untrue statements or omission or alleged omission to state material facts in this Official Statement (except for the statements and information contained in the Official Statement under the captions "THE AUTHORITY" and "LITIGATION - The Authority" and under the caption "UNDERWRITING") and to contribute with respect to payments that the Underwriters may be required to make in respect thereof.

NEITHER THE SERIES 2016 BONDS NOR ANY OTHER SECURITY RELATING TO THE SERIES 2016 BONDS HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE EXEMPTIONS FROM REGISTRATION AND FROM QUALIFICATION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF FEDERAL OR STATE SECURITIES LAWS CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NO STATE NOR ANY AGENCY THEREOF HAS PASSED UPON THE MERITS OF THE SERIES 2016 BONDS OR ANY RELATED SECURITY OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission.

The CUSIP numbers included in this Official Statement are for the convenience of the owners and the potential owners of the Series 2016 Bonds. No assurance can be given that the CUSIP numbers for the Series 2016 Bonds will remain the same after the date of issuance and delivery of the Series 2016 Bonds.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in this Official Statement constitute "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act of 1995*, Section 21E of the United States *Securities Exchange Act of 1934*, as amended, and Section 27A of the United States *Securities Act of 1933*, as amended. Such statements are generally identifiable by the terminology used such as "believe," "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements under the captions "CERTAIN INVESTMENT CONSIDERATIONS" and "PLAN OF FINANCE," "THE LOAN AGREEMENT," "SECURITY FOR UNIVERSITY OBLIGATIONS," ESTIMATED SOURCES & USES OF FUNDS," GROUND LEASE - Taxes and Assessments," "OTHER OBLIGATIONS," and "RATING" in the forepart of this Official Statement, "MANAGEMENT'S DISCUSSION AND ANALYSIS - CAPITAL ASSETS," "- ECONOMIC OUTLOOK," and "NOTES TO THE FINANCIAL STATEMENTS" in Appendix A hereto, and under the captions "FINANCIAL INFORMATION OF THE UNIVERSITY - Overview", "- State Appropriations and the Budget Process," "- KDFA Revenue Bonds Issued for the University and its Affiliated Entities," "- University Funds Available for Lease Payments to KUCDC," "- Capital Projects and Planned Additional Debt Obligations," "FACULTY, ENROLLMENT, TUITION, FEES AND FINANCIAL ASSISTANCE - Faculty" "- Financial Aid Assistance," and "- Projected Student Headcount" in Appendix B hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH 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 PUBLIC 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.

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INTRODUCTION

GENERAL

This Official Statement, including the cover page and the Appendices, is furnished in connection with the issuance by the Public Finance Authority (the *"Authority"*) and the offering of its $326,945,000 principal amount Lease Development Revenue Bonds (KU Campus Development Corporation - Central District Development Project) Series 2016 (the *"Series 2016 Bonds"*) of the Authority. Capitalized terms used in this Official Statement and not otherwise defined herein are defined in Appendix D to this Official Statement, "DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS."

The Series 2016 Bonds will be issued pursuant to a Trust Indenture dated as of January 1, 2016 (the *"Indenture"*), between the Authority and U.S. Bank National Association, as trustee (the *"Trustee"*), for the purpose of (i) financing the costs of the design, construction, and development of the Central District Development project (as described herein) for the University of Kansas (the *"University"*), which project includes a new Integrated Sciences Building containing, among other things, classrooms, offices, laboratories, meeting rooms, and service spaces; student housing and dining facilities; a Student Union building; parking structures and surface lots; a new central utility plant; and infrastructure improvements including road network and utilities and North District Power Plant improvements (collectively, the *"Project"*), on the Lawrence, Kansas campus of the University, (ii) financing capitalized interest, and (iii) paying certain costs of issuance of the Series 2016 Bonds. See the caption "PLAN OF FINANCE - The Project" herein.

Proceeds of the Series 2016 Bonds will be loaned to the KU Campus Development Corporation (*"KUCDC,"* the *"Borrower"* or the *"Corporation"*) pursuant to a Loan Agreement dated as of January 1, 2016 (the "*Loan Agreement"*), between the Authority and KUCDC, and the Corporation will be obligated under the Loan Agreement to pay amounts sufficient, together with certain other funds on deposit under the Indenture, to pay in full the principal of, premium, if any, and interest on the Series 2016 Bonds (as further defined below, the *"Loan Repayments"*) and certain other required costs related to the financing, including fees of the Authority and the Trustee (as further defined below, the *"Additional Payments"*). The sole source of funds available to KUCDC to make such Loan Repayments and Additional Payments will be certain lease payments made by the University under the hereinafter described Sublease.

KUCDC is a Kansas nonprofit corporation controlled, through its sole corporate membership, by the University, and was established in 2015 by the University in connection with the proposed development of the Project. It is the lessee under the hereinafter described Ground Lease of certain University owned real estate upon which the Project will be built (the *"Site"*). KUCDC is expected to act as a financing conduit for payments under the Sublease and related financing documents and will not have any employees. Upon completion of the Project in accordance with the Development Agreement (as hereinafter defined), title to the Project will be vested in the University as required by law, but the Ground Lease and the Sublease will remain in full force and effect until such time as the Series 2016 Bonds are fully paid and discharged.

Pursuant to a Disbursement Agreement among the Corporation, the Developer and the Trustee (the *"Disbursement Agreement"*), during the period the Project is being constructed, funds for payment to the Developer of project costs will be disbursed monthly pursuant to appropriately completed requisitions from the Developer. Failure by the Developer to comply with the terms of the Development Agreement in the construction of the Project (including, without limitation, failure to commence construction or failure to complete construction within required maximum time periods, subject to force majeure events and other agreed upon excused delay situations set forth in the Development Agreement), and certain other events will result in an event of default by the Developer thereunder, allowing the University to pursue certain defined remedies under the Development Agreement.

Notwithstanding the foregoing, Base Lease Payments (as defined herein) will commence on a date certain Base Lease Payment Commencement Date (January 25, 2016) and cannot be suspended or abated or reduced for any reason, regardless of the operational status of the facilities within the leased property. ***Obligations of the University under the Sublease to make Base Lease Payments (which are required to be sufficient to pay debt service on the Bonds as well as annual fees, expenses and other amounts due to the Authority and the Trustee) on dates certain will be absolute and unconditional and not subject to abatement or suspension for any reason, including, without limitation, failure of the Developer to complete the Project or failure of KUCDC to deliver the Project upon completion to the University.***

Upon delivery of the Series 2016 Bonds, special counsel to the University, Barber Emerson, L.C., will render its unqualified opinion to the effect that the Sublease is a valid and binding obligation of the University, subject only to standard exceptions for bankruptcy, insolvency and creditors' rights. See the caption "SECURITY FOR THE SERIES 2016 BONDS" herein.

The Series 2016 Bonds are payable primarily from Loan Repayments to be made under the Loan Agreement which will be pledged and assigned by the Authority to the Trustee for payment of the Series 2016 Bonds in accordance with the Indenture. The Series 2016 Bonds will be ratably secured under the Indenture by moneys, if any, received by the Trustee directly from the Corporation pursuant to the Loan Agreement, including Loan Repayments, and all income derived from the investment of any money in any fund or account established pursuant to the Indenture (collectively, the *"Payments"*) and any other amounts (excluding proceeds of the sale of the Bonds) held in the funds and accounts established pursuant to the Indenture, other than the Rebate Fund, subject in all cases to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. Under the Indenture, Additional Bonds may be issued by the Authority, for the benefit of KUCDC, on a parity with the Series 2016 Bonds (such Additional Bonds, together with the Series 2016 Bonds, are collectively referred to as the *"Bonds"* herein).

Upon the issuance of the Series 2016 Bonds, the sole source of revenues of the Corporation to make Payments, including Loan Repayments and Additional Payments, will be lease payments made by the University pursuant to the Sublease Agreement dated as of its date of delivery (the *"Sublease"*) between the Corporation (as landlord) and the University (as tenant) The Sublease payments will be in amounts equal to the Loan Repayments and all fees, expenses and other amounts payable to the Authority and the Trustee pursuant to the Indenture and the Loan Agreement (the *"Base Lease Payments"*). Pursuant to the Loan Agreement, the Corporation is obligated to open an account with the Trustee (the *"Borrower Revenue Fund"*). The Sublease requires the University to make all Base Lease Payments directly to the Trustee, and such amounts are to be deposited into the Borrower Revenue Fund. As security for the obligations of the Corporation under the Loan Agreement, the Corporation has pledged, and to the extent permitted by law, grants a security interest to the Trustee, as assignee of the Authority (for the benefit of the owners of the Bonds), in the Borrower Revenue Fund and all of the Base Lease Payments together with certain additional lease payments, if any, to be made following an issuance of Additional Bonds(collectively, and as further defined herein, the *"Lease Payments"*) to secure the payment of the Loan Repayments and Additional Payments and the performance by the Corporation of its other obligations under the Loan Agreement, subject to the provisions of the Loan Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein, as more fully described herein.

Amounts for operation and maintenance costs of the Project under the O&M Agreement (as hereinafter defined) will be paid by the University independent of the Sublease directly to the Developer in its capacity as manager under the O&M Agreement. See the caption "SECURITY FOR THE SERIES 2016 BONDS - THE SUBLEASE" herein.

The Series 2016 Bonds will not be secured by the Debt Service Reserve Fund (as hereinafter defined). Although the Debt Service Reserve Fund has been established under the Indenture, no deposits will be made to the Debt Service Reserve Fund with respect to the Series 2016 Bonds. See the caption "SECURITY FOR THE SERIES 2016 BONDS—DEBT SERVICE RESERVE FUND" herein.

The Series 2016 Bonds are subject to redemption in whole or in part prior to maturity as described under the caption "THE SERIES 2016 BONDS" herein.

THE SERIES 2016 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE FUNDS PLEDGED FOR THEIR PAYMENT PURSUANT TO THE INDENTURE AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER, ANY SPONSOR, ANY AUTHORITY INDEMNIFIED PERSON, THE STATE OF WISCONSIN, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST THEREON OR ANY COSTS INCIDENTAL THERETO. THE SERIES 2016 BONDS DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, ANY MEMBER, THE STATE OF

WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS OR ANY COSTS INCIDENTAL THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, NOR THE FAITH AND CREDIT OF THE AUTHORITY OR OF ANY SPONSOR OR AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS OR ANY COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER.

THE SERIES 2016 BONDS DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER THE STATE OF KANSAS OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF KANSAS OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS.

Investment in the Series 2016 Bonds is also subject to risks, certain of which are described under the caption "CERTAIN INVESTMENT CONSIDERATIONS" herein. **THE STATEMENTS HEREIN REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE SERIES 2016 BONDS.**

This Official Statement contains brief descriptions of, among other things, the Authority, the Corporation, the Series 2016 Bonds, the Indenture, the Loan Agreement, the Ground Lease, the Sublease and the Continuing Disclosure Agreement (as hereinafter defined). Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Series 2016 Bonds are qualified in their entirety by reference to the form of the Series 2016 Bonds included in the Indenture. Until the issuance and delivery of the Series 2016 Bonds, copies of the Indenture, the Loan Agreement, the Ground Lease, the Sublease, the Continuing Disclosure Agreement and other documents described in this Official Statement may be obtained at the office of University of Kansas Office of the General Counsel, 1450 Jayhawk Blvd, Room 245, Lawrence, KS 66045. Copies of these documents may also be obtained from University of Kansas Office of the General Counsel, 1450 Jayhawk Blvd, Room 245, Lawrence, KS 66045 after delivery of the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should analyze carefully the information contained in this Official Statement and additional information in the form of the complete documents summarized herein.

PLAN OF FINANCE

THE PROJECT

The University launched its strategic plan, *Bold Aspirations*, five years ago. The strategic plan implementation has included standardizing the curriculum across all schools, recruiting "Foundation" faculty who have successful research programs and can lead multi-disciplinary teams, increased focus on international student enrollments, implementing administrative efficiencies (*Changing for Excellence*), and updated the campus master facilities plan. *Bold Aspirations* also identified the capital improvements needed for the University to remain competitive and expand the University's brand, which led to the decision to pursue the Central District Development Project. While the University had originally intended to develop this project over a longer time horizon, it ultimately opted to accelerate the full project in order to maintain its competitive edge in the higher education sector.

As a result, the University has identified several immediate needs related to its science facilities, student housing, student meeting and study space, parking, utilities and infrastructure, which are included in the University's Central District Development project and referred to herein as the *"Project."* The *"Central District,"* as described herein, is that portion of the University's campus that will be created by the Project and will build on the University's historic planning principles to knit together what is currently described as two separate Lawrence campuses, Main and West, into one cohesive Lawrence campus of three districts: North, Central, and West. The current science buildings were built in the late 1950's and cannot support modern science educational and research activities. In addition, rising enrollments in the University's Pharmacy and Engineering colleges is creating a higher demand for science classes and labs. Increased undergraduate enrollment and stronger market demand to house more upper-class students are creating a housing shortage. With the construction of these new facilities, the central utility plant must be expanded both to meet the needs of the expanding campus and to provide system-wide redundancy.

The Project will develop roughly 40 acres of land on the Lawrence Campus. The estimated capital budget of $350 million is expected to include the following elements:

- A new Integrated Sciences Building that will replace existing science teaching and research space at the University, with an estimated budget of $137,971,000. This new building will contain among other things, classrooms, offices, laboratories, meeting rooms and service spaces. Construction is scheduled to begin in May 2016 and is expected to be complete by June 2018.

- The student housing facilities will include a student residence hall with 544 bed dormitory, suite-style rooms, at an estimated budget of $53,557,500. This facility will include a new dining center to serve both the existing and new residence halls in the Project area. This residence hall facility will provide suite-style rooms with bedrooms, bathrooms and a living room area, and will provide common areas such as lounges, public meeting areas, offices, study areas, and a dining center with an institutional-grade kitchen that will serve the existing and new residence halls in this area. In addition, the student housing facilities, with an estimated budget of $64,792,500, are to include apartment-style residential living space for 708 student beds. Construction is scheduled to begin on the residence hall and dining facility in March 2016 and is expected to be complete by June 2017 in time for the 2017/2018 academic year. The apartment-style units will serve both undergraduate and graduate students. These student housing facilities will include common areas such as lounges, public meeting areas, offices, and study areas. Construction is scheduled to begin on the apartments in May 2016 and is expected to be complete by June 2018.

- A Student Union building that will replace the existing Student Union building (the *"Union"*), at an estimated budget of $10,521,900. The University of Kansas Memorial Corporation, a Kansas nonprofit corporation and 501(c)(3) corporation controlled by the University will operate the building and will provide food service, meeting space, ballroom space and space for student services. Construction is scheduled to begin in May 2016 and is expected to be complete by June 2018.

- A new central utility plant that will support the Central District facilities and that will have capacity to support additional academic and/or integrated science facilities that may be built in the future. Construction is scheduled to begin in February 2016 and is expected to be complete by December 2017. North District Power Plant Improvements including rebuilding an existing boiler, upgrading associated pumps, lines, and wiring systems, installing reverse osmosis water system, transfer pump, and make-up water tank. The estimated budget for the Central and North District improvements is $15,958,500. Construction is scheduled to begin in July 2016 and is expected to be complete by December 2017.

- Infrastructure improvements that will consist of both a new utility network and new vehicle and pedestrian routes that will include the realignment of Irving Hill Road to accommodate the Project location and development of other associated road connections. The utility infrastructure and new power plant will include chilled water, steam, water, electricity, natural gas, fiber for information technology accesses and interconnections, life safety systems and waste water utility systems. A new accessible pedestrian/bike path will cross the campus, and will include all necessary sidewalks and Project site lighting (to be known as the *"Jayhawk Trail"*). The estimated budget for these infrastructure improvements is $46,666,000. Construction is scheduled to begin in January 2016 and is expected to be completed in phases with the final work being finished by June 2017.

- Additional parking facilities, at an estimated budget of $20,532,600, to include: a new multi-level parking structure adjacent to the Integrated Sciences Building and the Union that will include 595 spaces; surface parking of approximately 877 spaces for the new student housing facilities; surface parking within the Project area of approximately 310 spaces; and 374 spaces to support the student housing on Daisy Hill. Construction is scheduled to begin on the parking improvements in January 2016. The garage is expected to be complete by November 2016 and all of the surface parking is expected to be complete by December 2017.

The Project, when placed in service and fully operational, is expected by the University to generate approximately $9.2 million annually in new net revenue from the housing and parking facilities included in the Project as well as from certain student fees.

PROCUREMENT BY KUCDC AND LEASE BY UNIVERSITY

The Project is being procured by the University pursuant to the Ground Lease and the Sublease under and in accordance with the authority granted to the Kansas Board of Regents under Sections 76-721, 76-769 and 76-7,127 of the Kansas Statutes Annotated and in accordance with the Kansas Board of Regents Policy Manual (Rev. 4/15/15). Pursuant to this procurement, the University is leasing, under the Ground Lease, the Site to KUCDC. KUCDC will in turn, under the Sublease, lease the Site and the Project (together the *"Premises"*) back to the University until the last day of the month in which the last Base Lease Payment is required to be made; provided that the Sublease will not terminate until the principal of and interest on the Series 2016 Bonds have been paid or deemed paid in full under the terms of the Indenture. See the description of the Sublease below under the caption "SECURITY FOR THE SERIES 2016 BONDS - THE SUBLEASE." Upon completion of the Project in accordance with the Development Agreement, title to the Project will be vested in the University as required by Kansas state law, but the Ground Lease and the Sublease will remain in full force and effect. A private third party developer, Edgemoor Infrastructure & Real Estate I LLC (the *"Developer"* or *"Edgemoor"*), will enter into two contracts (the *"Development Agreement"* and the *"O&M Agreement,"* respectively) with the University (and, in the case of the Development Agreement, with KUCDC) to develop, design, construct, operate and maintain the Project as described below. Edgemoor intends to enter into an agreement with Johnson Controls, Inc., a publicly traded company headquartered in Milwaukee, whereby Johnson Controls, Inc. will perform the majority of Edgemoor's services under the O&M Agreement with respect to the Project, again as described below.

In consideration of the lease of the Project to the University under the Sublease, the University will make Base Lease Payments thereunder equal to, and at such times as is sufficient to pay, the principal of, premium, if any, on and interest on the Series 2016 Bonds and required, recurring financing costs such as Authority fees and Trustee fees. The agreement of the University to make such payments under the Sublease is absolute and unconditional and not subject to abatement or suspension for any reason, and pursuant to the Sublease, the University agrees to make all Base Lease Payments notwithstanding the non-delivery, non-conformity, malfunctioning, inability to occupy and/or loss of the Site (including, all or any portion of the Project), and pursuant to which the University agrees to waive all defenses and offsets the University has against KUCDC and any third party to make such payments in any and all such circumstances. Base Lease Payments will commence on a date certain Base Lease Payment Commencement Date and cannot be suspended or abated or reduced for any reason, regardless of the operational status of the facilities within the leased property.

EXPECTED SOURCE OF REVENUES FOR BASE LEASE PAYMENTS

The annual Base Lease Payments payable by the University are expected to be approximately $21.1 million in 2019 when the Project is fully operational and grow to a maximum of approximately $22.2 million over the term of the Series 2016 Bonds. The obligation of the University to make Base Lease Payments under the Sublease with respect to the Bonds are unsecured obligations of the University, payable only from revenues of the University, excluding restricted revenue and State of Kansas appropriated funds, to meet its Base Lease

Payment obligations (see the caption "SECURITY FOR THE SERIES 2016 BONDS—The Sublease" herein). The University has an annual budgeting process and intends to budget and provide for payment of the Lease Payments as it does for other debt service payments. More information on the University's budgeting process can be found under the caption "FINANCIAL INFORMATION OF THE UNIVERSITY - Description of the University of Kansas Resource Planning Process" in Appendix B hereto.

ISSUANCE OF BONDS BY THE AUTHORITY

The Series 2016 Bonds will be issued by the Authority (see the caption "THE AUTHORITY" herein), rather than the Kansas statewide bond issuer, the Kansas Development Finance Authority (*"KDFA"*), because portions of the Project did not meet certain statutory criteria for KDFA financing. The University has authority under existing law to pursue with the Project without State of Kansas legislative approval; however, legislative approval would be needed for KDFA bond issuance. While certain key governmental stakeholders were engaged by the University and informed of the University's plan for financing the Project, State of Kansas legislative approval for the plan of financing described herein was not necessary and was therefore not requested. The University has the authority, with the approval and oversight of the Board of Regents, to finance the project as described herein.

The proceeds of the Series 2016 Bonds will be loaned to KUCDC and applied principally to design and build the new facilities making up the Project at the University's Lawrence, Kansas, campus. Pursuant to the Disbursement Agreement, during the period the Project is being constructed, funds for reimbursement of the Developer for payment of Project costs will be disbursed monthly pursuant to appropriately completed requisitions from the Developer.

THE SERIES 2016 BONDS

GENERAL

The Series 2016 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2016 Bonds will be dated the date of issuance and will mature, subject to prior redemption, on March 1 in the years and principal amounts set forth on the inside cover page to this Official Statement. The Series 2016 Bonds will bear interest (computed on the basis of a 360-day year of twelve 30-day months) from the date of issuance, payable semiannually on each March 1 and September 1, commencing on March 1, 2016, at the rates set forth on the inside cover page of this Official Statement.

The Trustee is registrar and paying agent for the Series 2016 Bonds.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (*"DTC"*), New York, New York, will act as securities depository (the *"Securities Depository"*) for the Series 2016 Bonds. Information with respect to DTC and the book-entry only system is contained in Appendix E attached hereto.

EXCHANGE AND TRANSFER

Series 2016 Bonds may be exchanged at the Principal Corporate Trust Office for a like aggregate principal amount of the Series 2016 Bonds of the same maturity of other authorized denominations. The Trustee will require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there will be no other charge to any Holder for any such exchange. No exchange of Series 2016 Bonds will be required to be made during the period established by the Trustee for selection of Series 2016 Bonds for redemption and after a Series 2016 Bond has been selected for redemption.

The registration of any Series 2016 Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series 2016 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, and there will be no other charge to any Holder for any such transfer. No transfer of Series 2016 Bonds will be required to be made during the period established by the Trustee for selection of Series 2016 Bonds for redemption and after a Series 2016 Bond has been selected for redemption.

OPTIONAL REDEMPTION

The Series 2016 Bonds maturing after March 1, 2026 are subject to redemption prior to their respective stated maturities, at the option of the Authority (which option shall be exercised upon request of the Corporation, a copy of which request shall be delivered to the Trustee not less than thirty-five (35) days prior to the date fixed for such redemption, or such shorter period as agreed to in writing by the Trustee in its sole discretion), in whole or in part on any date on or after March 1, 2026, at a redemption price equal to 100% of the principal amount of Series 2016 Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

EXTRAORDINARY OPTIONAL REDEMPTION

The Series 2016 Bonds are subject to redemption prior to their stated maturity at the option of the Authority (which option shall be exercised as directed by KUCDC), as a whole or in part, on any date from moneys required to be transferred from the Insurance and Condemnation Proceeds Fund to the Special Redemption Account at a redemption price equal to the Amortized Redemption Price of such Series 2016 Bonds to be redeemed. If the amounts on deposit in the Special Redemption Account are insufficient to redeem all of the Series 2016 Bonds on any applicable redemption date, the Series 2016 Bonds shall be subject to partial redemption and will be redeemed ratably in increments of $5,000 maturity amounts, and principal amounts within maturities will be selected by the Trustee by lot.

For purposes of such extraordinary redemption:

"Amortized Redemption Price" means the Amortized Value of the Series 2016 Bonds to be redeemed, plus accrued interest to, but not including, the redemption date; and

"Amortized Value" means the principal amount of the Series 2016 Bonds to be redeemed multiplied by the price of such Bonds expressed as a percentage, calculated by the Trustee, as calculation agent, based on the industry standard method of calculating bond prices on the basis of a 360-day year of twelve 30 day months, with a delivery date equal to the redemption date, the maturity date of such Series 2016 Bonds (or the earlier dates, if any, on which such Series 2016 Bonds are first optionally redeemable as described under the caption *"—Optional Redemption"*) and a yield equal to such Series 2016 Bond's original offering yield set forth on the inside front cover of this Official Statement.

Under the Loan Agreement, all proceeds of the casualty insurance carried by the University with respect to the Project pursuant to the terms of the Loan Agreement (except proceeds of the liability portion, if any, of such insurance), and proceeds of any condemnation awards with respect to any individual portion of the Project, in each case, in excess of ten percent (10%) of the Book Value of such portion of the Project, are required to be paid immediately upon receipt by the Corporation or other named insured parties to the Trustee for deposit in the "Insurance and Condemnation Proceeds Fund" established and maintained by the Trustee under the Indenture. In the event that the proceeds of any loss or damage to or condemnation of the Project are less than ten percent (10%) of the Book Value of such portion of the Project, the Corporation may retain, or permit the University to retain, such proceeds without any formality whatsoever. In the event the Corporation or the University elects to repair or replace any portion of the Project damaged, destroyed or taken, moneys in the Insurance and Condemnation Proceeds Fund will be disbursed by the Trustee, after deducting therefrom the reasonable charges and expenses of the Trustee in connection with the collection and disbursement of such moneys, for the purpose of repairing or replacing the portion or portions of the Project damaged, destroyed or taken in the manner and subject to the conditions set forth in the Indenture with respect to disbursements from the Insurance and Condemnation Proceeds Fund described in Appendix D hereto under the caption "THE INDENTURE - Maintenance, Taxes, Insurance and Condemnation;" provided that, unless the Trustee receives written notice from the Corporation that after repair and replacement the Project will continue to be used for the purposes for which they were constructed, no such disbursement will be made prior to receipt by the Trustee of the written consent of the Authority.

SELECTION OF BONDS TO BE REDEEMED

The Authority will designate, but only upon receipt of a Request of the Borrower and subject to the terms of the Indenture, which tenors and maturities of Series 2016 Bonds are to be called for optional redemption pursuant to the Indenture, except as otherwise described under the caption *"—Extraordinary Optional Redemption"*. When any redemption is made pursuant to the provisions of the Indenture described under "—OPTIONAL REDEMPTION" and less than all of the outstanding Series 2016 Bonds of a single tenor and maturity are to be redeemed, the Trustee shall select the Series 2016 Bonds to be redeemed by lot within such tenor and maturity and any Mandatory Sinking Account Payments relating to such Series 2016 Bonds shall be reduced in minimum Authorized Denominations on a pro-rata basis, to the maximum extent feasible. In no event shall Series 2016 Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. For purposes of redeeming Series 2016 Bonds in denominations greater than minimum Authorized Denominations, the Trustee shall assign to such Series 2016 Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, shall treat such amounts as separate Series 2016 Bonds. Notwithstanding anything to the contrary in the Indenture, in the case of Series 2016 Bonds held in book-entry form by the Depository, such Series 2016 Bonds shall be redeemed (or Mandatory Sinking Account Payments applied) in accordance with the procedures of the Depository.

MANDATORY REDEMPTION

The Series 2016 Bonds maturing on March 1 of the years indicated below are subject to redemption prior to maturity in part, by lot, from Mandatory Sinking Account Payments, together with interest accrued thereon but unpaid. Mandatory Sinking Account Payment are required to be made under the Indenture in the following amounts and on the following dates for the respective Term Bonds indicated below:

Series 2016 Term Bonds maturing on March 1, 2041:

Mandatory Redemption Date (March 1)	Principal Amount
2037	$13,755,000
2038	14,440,000
2039	15,165,000
2040	15,925,000
2041*	16,725,000

* Final Maturity

Series 2016 Term Bonds maturing on March 1, 2046:

Mandatory Redemption Date (March 1)	Principal Amount
2042	$16,820,000
2043	17,660,000
2044	18,545,000
2045	19,465,000
2046*	20,445,000

* Final Maturity

Notice and Effect of Redemption

Notice of any redemption of Series 2016 Bonds, or portions thereof, to be redeemed will be given by mailing a copy of the redemption notice, not less than 30 days nor more than 60 days prior to the redemption date, by first class mail to the respective Holders thereof at the address appearing on the Bond registration books described in the Indenture. The actual receipt by the Holder of any Series 2016 Bond or any other party of notice of redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Series 2016 Bonds or the cessation of interest, if any, on the date fixed for redemption.

When notice of redemption has been given substantially as provided for in the Indenture, and when the redemption price of the Series 2016 Bonds called for redemption is set aside for such purpose under the Indenture, the Series 2016 Bonds designated for redemption will become due and payable on the specified redemption date and interest, if any, will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2016 Bonds at the place specified in the notice of redemption, such Series 2016 Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Series 2016 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2016 Bonds and the redemption premium thereon, if any, only to the escrow fund established for such purpose.

Conditional Notice of Optional Redemption

Any notice of optional redemption may state that such redemption will be conditioned (*"Conditional Notice"*) upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on the Series 2016 Bonds to be redeemed or upon the occurrence of such other event or condition as is set forth in such Conditional Notice, and that, if such moneys are not so received, or if such other event or condition has occurred or failed to occur (as the case may be), said notice will be of no force and effect and the redemption of the Series 2016 Bonds specified in the notice will no longer be required. The Trustee will within a reasonable time thereafter give notice, in the manner in which the original Conditional Notice was given, of the cancellation of such redemption.

Rescission

In the event that the Corporation has cured the conditions that caused the Series 2016 Bonds to be subject to redemption pursuant to the events described under "—Extraordinary Optional Redemption," the Corporation may rescind any redemption and notice thereof on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Holders of the Series 2016 Bonds so called for redemption, with a copy to the Trustee. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Holder of any Series 2016 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

REMEDIES

Upon the occurrence of any Event of Default specified in the Indenture, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Series 2016 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall proceed to protect or enforce its rights or the rights of the holders of Series 2016 Bonds under the Indenture, the Loan Agreement, the Base Lease Payment Assignment (as hereinafter defined) and other applicable security documents of the Corporation, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in such documents, or in aid of the execution of any power granted in such documents, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture, provided that any such request from the Bondholders shall not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein. The Series 2016 Bonds will not be subject to acceleration in any such circumstance. See the caption "THE INDENTURE—Events of Default; Remedies on Default" in Appendix D hereto.

MUTILATED, LOST, STOLEN OR DESTROYED BONDS

If any Series 2016 Bond is mutilated, the Authority, at the expense of the Holder of said Series 2016 Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new Series 2016 Bond of like tenor in exchange and substitution for the Series 2016 Bond so mutilated, but only upon surrender to the Trustee of the Series 2016 Bond so mutilated. Every mutilated Series 2016 Bond so surrendered to the Trustee will be canceled by it and delivered to, or upon the order of, the Authority. If any Series 2016 Bond issued under the Indenture is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it will be given, the Authority, at the expense of the Holder, will execute, and the Trustee will thereupon authenticate and deliver, a new Series 2016 Bond of like tenor in lieu of and in substitution for the Series 2016 Bond so lost, destroyed or stolen. If any Series 2016 Bond mutilated, lost, destroyed or stolen has matured, instead of issuing a substitute Series 2016 Bond the Trustee may pay the same without surrender upon receipt of indemnity satisfactory to the Trustee. The Authority may require payment from the Holder of a sum not exceeding the actual cost of preparing each new Series 2016 Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee. Any Series 2016 Bond issued under the provisions of the Indenture in lieu of any Series 2016 Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Series 2016 Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be entitled to the benefits of the Indenture with all other Series 2016 Bonds secured by the Indenture.

SECURITY FOR THE SERIES 2016 BONDS

GENERAL

THE SERIES 2016 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE FUNDS PLEDGED FOR THEIR PAYMENT PURSUANT TO THE INDENTURE AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER, ANY SPONSOR, ANY AUTHORITY INDEMNIFIED PERSON, THE STATE OF WISCONSIN, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST THEREON OR ANY COSTS INCIDENTAL THERETO. THE SERIES 2016 BONDS DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, ANY MEMBER, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS OR ANY COSTS INCIDENTAL THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, NOR THE FAITH AND CREDIT OF THE AUTHORITY OR OF ANY SPONSOR OR AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS OR ANY COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2016 BONDS AGAINST ANY AUTHORITY INDEMNIFIED PERSON, AS SUCH, EITHER DIRECTLY OR THROUGH THE AUTHORITY OR MEMBER OR SPONSOR OR ANY SUCCESSOR THERETO, UNDER ANY RULE OF LAW OR EQUITY, STATUTE, OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH AUTHORITY INDEMNIFIED PERSON, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THE SERIES 2016 BONDS.

THE SERIES 2016 BONDS DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER THE STATE OF KANSAS OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF KANSAS OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016 BONDS.

The principal of, redemption premium, if any, and interest payable on the Series 2016 Bonds are payable (except to the extent paid out of moneys attributable to the income from the temporary investment thereof and, under certain circumstances, proceeds from insurance and certain condemnation awards) primarily from Loan Repayments derived by the Authority from the Corporation under the Loan Agreement. The Authority pledges all of the Payments and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture (other than the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Under the Indenture, the Authority also assigns to the Trustee all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the right to receive any Additional Payments constituting Administrative Fees and Expenses and the Unassigned Rights, including the right to receive any notices and reports). The only source of funds for payments of the Loan Repayments will be Base Lease Payments made by the University under and pursuant to the Sublease.

The Series 2016 Bonds will be ratably secured under the Indenture with any Additional Bonds that may be issued under the Indenture. See the caption "ADDITIONAL BONDS" below.

THE LOAN AGREEMENT

Pursuant to the Loan Agreement, the Corporation agrees to make Loan Repayments in amounts expected to be equal to an amount which, together with other funds in the Debt Service Fund then available for the payment of principal and interest on the Series 2016 Bonds, will be sufficient to provide for the payment in full of the principal of, premium, if any, and interest on the Series 2016 Bonds as the same become due and payable. The sole source of funds for such payments will be Lease Payments paid by the University, which upon issuance of the Series 2016 Bonds comprise only the Base Lease Payments under the Sublease. See "—THE SUBLEASE."

The Trustee will, following any event of default under the Loan Agreement, be entitled to and shall (subject to the provisions of the Indenture) take all steps, actions and proceedings under the Base Lease Payment Assignment reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of KUCDC under the Loan Agreement, and certain rights of KUCDC under the Sublease Agreement assigned to the Trustee pursuant to the Base Lease Payment Assignment. The obligations of the University under the Sublease are not secured by a leasehold mortgage and accordingly the Trustee will have no ability to take possession of the Project or to terminate the rights of the University to the Project upon the occurrence of an event of default. See "—BASE LEASE PAYMENT ASSIGNMENT."

THE SUBLEASE

Pursuant to the Sublease, the University has covenanted with the Corporation to make Base Lease Payments, in advance on an equal monthly installment basis, providing for amounts necessary for the Corporation to pay debt service and required financing costs when due with respect to the Bonds. Certain terms of the Sublease are summarized below under this caption.

The statutory authorization for the University to enter into the Sublease includes a limitation pursuant to K.S.A. 76-7,127 that the Project be financed from funds received from sources other than the State of Kansas. As a result, the University has determined that no funds appropriated by the State of Kansas legislature to the University will be used to pay Base Lease Payments to KUCDC.

University Obligations Unconditional and Not Subject to Abatement

The University agrees under the Sublease to make any and all Base Lease Payments to KUCDC which payments in turn are assigned by KUCDC to the Trustee under a Base Lease Payment Assignment as security for the Series 2016 Bonds. The agreement of the University to make such payments on a date certain under the Sublease is absolute and unconditional and not subject to abatement or suspension for any reason, and pursuant to such agreement the University agrees to make all Base Lease Payments notwithstanding the non-delivery, non-conformity, malfunctioning, inability to occupy and loss of the Premises (in this case, all or any portion of the Project), and agrees to waive all defenses and offsets the University has against KUCDC and any third party to make such payments in any such circumstances. As a condition precedent to the delivery of the Series 2016 Bonds, the University's counsel will deliver its unqualified opinion to the effect that the obligations of the University under the Sublease, including, without limitation, such covenants which are absolute and unconditional and not subject to abatement or suspension for any reason, are enforceable against the University, subject only to standard qualifications for bankruptcy, insolvency and creditors' rights.

Use and Consent to Financing

The Sublease restricts the use of the Premises by the University as an educational facility and other legally permissible uses. In addition, the University is required to comply, at its sole cost and expense, with all applicable laws and University guidelines concerning the (i) use, storage, handling or discharge of any hazardous substances (A) generated or used by the University in the course of its operations at the Premises during the Term, or (B) otherwise brought onto the Premises by the University during the Term, and (ii) monitoring, mitigation and remediation (all to the extent required) of any hazardous substances migrating onto the Premises during the Term. Any financing, other than that which is related to the Series 2016 Bonds, which would encumber KUCDC's interest in the leased premises or the Sublease, or any amendment, renewal, refinancing, or refunding of any such financing, is subject to the prior written approval of the University, which approval the University may grant or withhold at its sole and absolute discretion (such right to approve will be assigned to the Trustee pursuant to the Base Lease Payment Assignment), and in no event may the documents evidencing any such financing encumber the interest of the University in the Sublease or its fee interest in the leased premises.

Taxes and Assessments

KUCDC and the University intend and expect that the leasehold estate of the University created by the Sublease, and the Project, will be eligible for exemption under Kansas law from property taxes. The University and KUCDC covenant to use diligent efforts to maintain exemption of the Project from property taxes. Nothing contained in the Sublease is intended to change the degree to which the interest or estate of the University created by the Sublease is subject to property taxes; however, to the extent any property taxes are assessed, the University and KUCDC will have the responsibilities and rights set forth in the balance of this subcaption.

The University will pay all property taxes, including without limitation, all real estate taxes, taxes upon or measured by rents, personal property taxes, privilege taxes, gross receipts taxes, excise taxes, parking taxes, business and occupation taxes, gross sales taxes, occupational license taxes, water charges, sewer charges, or environmental taxes or assessments of any kind and nature whatsoever, including any possessory interest tax resulting from the Sublease, whether levied by the State of Kansas, the government of the United States, or any agency thereof, or any other governmental body or assessment district during the Term, and whether or not now customary or within the contemplation of the parties hereto, and regardless of whether the same is foreseen or unforeseen, similar or dissimilar to any of the foregoing.

The University will have the right, however, at its own expense, to contest the amount or validity of any property taxes and assessments by appropriate proceedings which will operate to prevent the collection of any such property tax or Assessment so contested or the sale of the Project or any part thereof to satisfy the same.

Utility Services

Pursuant to the Development Agreement and the O&M Agreement, the University has caused the Developer to agree to install facilities necessary to provide utilities to the Project, including, but not limited to gas, water (including water for domestic uses, irrigation and fire protection), telephone, electricity, cable TV, satellite, digital information, sewer service or any similar service. KUCDC will have no obligation to provide or pay for utility facilities or utility services to the Project, but will cooperate with the University in obtaining same. Any facilities necessary to provide utilities to the Project not provided by the Developer for any reason will be provided by the University under the Sublease.

Default in Construction

The Sublease provides that if the Developer defaults in the performance of its obligations under the Development Agreement, beyond any applicable notice and cure periods, then the University and KUCDC will cooperate in the exercise of KUCDC's and the University's resulting rights under the Development Agreement, including without limitation, the University's assumption of all construction contracts for the Project (the *"Construction Contracts"*) and seeking redress under the guaranty provided by Clark Construction Group, LLC.

All Liens and Rights are Subordinate to the University

The University's rights, as well as the rights of anyone else, including, but not limited to, the rights of the Developer, the Authority, the KUCDC or any mortgagee, architect, independent contractor, assignee, sublessee, subcontractor, prime or general contractor, mechanic, laborer, materialmen, or other lien or claim holder, will always be and remain subordinate, inferior, and junior to the University's fee title, interest, and estate in the Premises. Except as otherwise expressly permitted under the Ground Lease, the Development Agreement, the Sublease, the O&M Agreement, the Disbursement Agreement, the Bond Indenture, the Loan Agreement, the Base Lease Payment Assignment, and the ancillary agreements entered into by and between KUCDC, KU and the Developer in connection therewith (collectively, the *"Transaction*

Documents"), the University will not create or permit to be created or to remain, and will discharge, any lien, encumbrance, or charge levied on account of any mechanic's, laborer's, or materialman's lien, or any security agreement, conditional bill of sale, title retention agreement, chattel mortgage, or otherwise that might, or does, constitute a lien, encumbrance, or charge upon the Premises, or any part thereof, or the income therefrom, having a priority or preference over or ranking on a parity with the estate, rights, or interest of KUCDC in the Premises or any part thereof, or the income therefrom.

Title to the Project, including any modifications or additions thereto during the Term, will be vested in the University but subject to the terms of the Sublease, and, if requested by the University, KUCDC will execute such further instruments as may be reasonably required in connection therewith.

Operation and Maintenance of Project

Upon the Completion of the Project in accordance with the Development Agreement, the University is required to perform, or cause the Developer to perform the O&M Services in accordance with the O&M Agreement. In the event of any failure of Developer to perform any of the O&M Services, the University shall enforce Developer's obligations and/or obtain from a third party those services that Developer is required to, but has failed to, provide; provided that, notwithstanding the failure of the Developer to perform any or all of its obligations under the Development Agreement, the University will perform, or cause to perform, all such O&M Services.

Security Interest

The University and KUCDC are required from time to time to promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that either may reasonably request, in order to perfect and protect any pledge, assignment, or security interest granted or purported to be granted by Developer, and/or to enable KUCDC or the University to exercise and enforce their rights and remedies with respect to any of the Construction Contracts.

University May Perform Developer Covenants

If Developer fails to perform any covenant or agreement contained in the Development Agreement, the O&M Agreement or any Construction Contract, and if such failure continues uncured after the giving of notice and the expiration of any applicable cure period, the University may itself elect to perform, or cause the performance of, such covenant or agreement, and KUCDC hereby assigns to the University any rights it has pursuant to the Development Agreement in connection therewith. KUCDC irrevocably appoints the University as KUCDC's attorney-in-fact, with full authority in the place and stead of KUCDC and in the name of KUCDC or otherwise, if a default occurs by Developer under the Development Agreement, the O&M Agreement or any Construction Contract, beyond applicable notice and cure periods, to take any action and to execute any instrument which the University may deem necessary or advisable to accomplish the purposes of the Sublease, the Ground Lease, the Development Agreement and the O&M Agreement.

No Duty of the University

The powers conferred on the University under the Sublease are solely to protect its interest in the Development Agreement, the O&M Agreement and the Construction Contracts and will not impose any duty upon it or KUCDC to exercise any such powers.

Assignment of Sublease

The University does not have the right to assign or transfer the University's interest in the Project, the Site or the Sublease (collectively, the *"University's Interest"*) or any portion thereof or any right or privilege appurtenant thereto, without the prior written consent of KUCDC, which consent may not be unreasonably withheld; provided that such consent of KUCDC has been irrevocably given to the University with respect to the assignment of the University's Interest pursuant to the Base Lease Payment Assignment. Any attempt by the University to assign its interest in the Sublease without KUCDC's consent will be voidable by KUCDC and, at KUCDC's election, will constitute an event of default under the Sublease. The consent by KUCDC to any assignment does not constitute a waiver of the necessity for such consent to any subsequent assignment, transfer, hypothecation or subleasing. The University has the right, however, to sublease any portion of the Project without KUCDC's consent; provided that the University shall remain fully liable for all of its obligations set forth under the Sublease, including the obligation to make all Lease Payments.

Indemnification by the University

Except to the extent caused by the intentional wrongful acts or gross negligence of KUCDC or any of the indemnitees described below, the University, to the extent permitted by law, shall release and agree to indemnify, defend and hold KUCDC and all of its officers, employees, directors, agents, and consultants harmless of and from any and all claims, demands, liabilities, losses, costs, or expenses for any loss including but not limited to bodily injury (including death), personal injury, property damage, expenses, taxes and attorneys' fees, caused by, growing out of, or otherwise happening in connection with the Transaction Documents and/or the development, financing, construction, use, or occupancy of the Project, or resulting from any acts or occurrences on or about the Project during the term of the Sublease.

Insurance

Insurance shall be provided by the Developer until the Project or any discrete component is substantially complete; after the substantial completion of the Project or any discrete component thereof, the University shall provide insurance. Unless required in connection with the Bond Documents, KUCDC is not be required to maintain any insurance with respect to the Premises in connection with the Ground Lease. KUCDC is required to ensure that not less than commercially reasonable property and liability insurance for the Site consistent with the insurance the University maintains on its other properties and as provided for in the Loan Agreement.

Damage and Destruction

Should the Premises be damaged or destroyed, in whole or in part, by fire, flood, earthquake, windstorm, the elements, casualty, accident, war, riot, public disorder, acts authorized or unauthorized by the government or any other cause or happening, the Sublease shall remain in effect and the University's obligations to pay Base Lease Payments shall continue unabated. The University shall have the right, in its sole discretion, to settle any insurance claim and to receive any insurance proceeds arising from such damage or destruction. KUCDC shall take no actions in connection therewith without the expressed prior written consent of University. The University shall continue to use the Premises for educational purposes, and shall have the right, but not the obligation, to restore the Improvements or to replace the Improvements with other improvements, whether similar or dissimilar.

Condemnation

If, during the term of the Ground Lease, the Premises, or any portion thereof or interest in the Ground Lease, is appropriated, taken or damaged by reason of the exercise of the power of eminent domain, whether by condemnation proceedings or otherwise, or any transfer thereof is made in avoidance of an exercise of the power of eminent domain, the Sublease shall remain in effect and the University's obligations to pay Base Lease Payments shall continue unabated. The University shall have the right, in its sole discretion, to settle any action and negotiate any settlement related to any Taking and the University shall have the right to receive any and all condemnation proceeds. KUCDC shall take no actions in connection therewith without the expressed prior written consent of the University.

Arbitration

In the event of a dispute between the parties to the Sublease with respect to any event of default or alleged default by either party, other than a failure of the University to make any Base Lease Payment, the University may, in its sole and exclusive discretion elect to either resolve the dispute in litigation in Kansas state court only, or refer such matter to arbitration by a single arbitrator.

Events of Default and Remedies

The following are "events of default" under the Sublease:

(1) The University fails to perform or cause to be performed any term, covenant, condition, or provision of the Sublease, and to correct such failure within thirty (30) days after written notice specifying such failure is given to the University by KUCDC. In the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period but can be wholly corrected within a period of time not materially detrimental to the rights

of KUCDC, it will not constitute an event of default if corrective action is instituted by the University within the applicable period and diligently pursued until the failure is corrected.

(2) The University shall fail to pay any Base Lease Payment, or any portion thereof, as and when such Base Lease Payment comes due.

(3) The University is adjudicated a bankrupt.

(4) A permanent receiver is appointed for the University's Interest in the Site and such receiver is not be removed within ninety (90) days after notice from KUCDC to the University to obtain such removal.

(5) The University voluntarily takes advantage of any debtor relief proceedings under any present or future law or becomes subject to any such involuntary proceedings and said involuntary proceedings are dismissed within ninety (90) days after notice from KUCDC to the University to obtain such dismissal.

(6) The University makes a general assignment for benefit of creditors.

(7) The Project or the University's effects or interests therein are levied upon or attached under process against the University, and the same are not satisfied or dissolved within ninety (90) days after notice from KUCDC to the University to obtain satisfaction or dissolution thereof.

(8) Any other event that is expressly stated to be an event of default elsewhere in the Sublease.

Upon the occurrence of an event of default, KUCDC, or the Trustee as assignee of KUCDC pursuant to the Base Lease Payment Assignment, may pursue one of the following remedies in addition to any other remedies it may have under applicable law or in equity, including mandamus, specific performance and injunctive relieve, each and all of which will be cumulative and nonexclusive, without any notice or demand whatsoever:

Cause the University to assign its interest in the Transaction Documents, including the Sublease, to an entity of KUCDC's or the Trustee's choosing, which entity may not be related to the University;

KUCDC may, but is not obligated to, make any payment or perform or otherwise cure any obligation, provision, covenant or condition on the University's part to be observed or performed (and may enter the Project for such purposes if needed).

No Waiver

No waiver by KUCDC of any violation or breach by the University of any of the terms, provisions and covenants herein contained will be deemed or construed to constitute a waiver of any other or later violation or breach by the University of the same or any other of the terms, provisions, and covenants herein contained. Forbearance by KUCDC in enforcement of one or more of the remedies herein provided upon a default by the University will not be deemed or construed to constitute a waiver of such default.

KUCDC Default

KUCDC will not be in default under the Sublease unless KUCDC fails to perform any of its obligations within a reasonable time, but in no event later than thirty (30) days after written notice by the University to KUCDC specifying wherein KUCDC has failed to perform such obligation; provided, however, that if the nature of KUCDC's obligation is such that more than thirty (30) days are required for performance then KUCDC will not be in default if KUCDC commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Any damages or judgments arising out of KUCDC's default of its obligations under the Sublease will be satisfied only out of KUCDC's interest and estate in the leased premises, and KUCDC will have no personal liability beyond such interest and estate with respect to such damages or judgments.

Expiration or Termination

The Sublease may not be terminated for any reason whatsoever until the principal of and premium, if any, and interest on the Bonds have been paid in full as provided in the Indenture and all other liabilities of KUCDC accrued and to accrue under the Loan Agreement have been paid. Upon the full payment and retirement of the Bonds, and the payment of all other liabilities of KUCDC accrued and to accrue under the Loan Agreement, the term of the Sublease will automatically end.

Upon the end of the term of the Sublease, any amounts remaining in any fund, account or reserve created in connection with the Sublease, the or otherwise related to the maintenance and repair of the Project or the management of the Project, and any amounts transferred to KUCDC pursuant to the terms of the Indenture, will inure to the benefit of and become the property of the University, and to the extent KUCDC does hereby transfer, assign, and convey any such funds, as well as its interest in any such funds held by Developer, to the University.

No Merger

If under any circumstances both KUCDC's and the University's estates in the leased premises, or any portions thereof, become vested in the same owner, the Sublease nevertheless will not be extinguished by application of the doctrine of merger except at the express election of KUCDC, and in any event not until the principal of and premium, if any, and interest on the Bonds has been paid or is deem paid within the meaning of the Indenture.

THE GROUND LEASE

Pursuant to the Ground Lease between the University and KUCDC, the University will lease the Site (consisting of a portion of the campus of the University in Lawrence, Kansas and improvements) to the Corporation that makes up the entirety of the Project site. The Ground

Lease cannot terminate until all obligations of the University under the Sublease have been satisfied. KUCDC may not assign its interest in the Ground Lease or encumber the Site in any way without the express written consent of the University, which the University may grant or withhold in its sole and absolute discretion; *provided, however,* that the University will consent to the assignment of the Ground Lease by KUCDC to the Trustee under the Indenture. Certain material terms of the Ground Lease are summarized below under this caption.

Bond Documents and the Development Agreement

KUCDC is required to: (i) enter into the Bond Documents to which it is a party, including the Loan Agreement, and to enter into the Development Agreement, (ii) make a portion of the proceeds of the Series 2016 Bonds available to the Developer pursuant to the Disbursement Agreement and the Development Agreement, and (iii) sublease the Site and, upon its completion, the Project, to the University pursuant to the Sublease, all so that the Developer may construct the Project in accordance with the Development Agreement.

Payment of Rent

No rent is payable under the Ground Lease. The parties will agree that KUCDC's actions described under the caption "*Bond Documents and the Development Agreement*" above and performance of KUCDC's obligations under the Transaction Documents (as hereinafter defined) are good and sufficient consideration for the lease of the Site and the Improvements under the Ground Lease.

Financing of Project

KUCDC is responsible for undertaking the issuance of the Series 2016 Bonds by the Authority and making a portion of the proceeds thereof available to the Developer pursuant to the Development Agreement and Disbursement Agreement. Any other financing which would encumber KUCDC's interest in the Ground Lease, or any amendment, renewal, refinancing, or refunding of any such financing, is subject to the prior written approval of the University, which approval the University may grant or withhold at its sole and absolute discretion, and in no event may the documents evidencing any such financing encumber the interest of the University in the Ground Lease or its fee interest in the Site.

Developer Default in Construction

If the Developer defaults in the performance of its obligations under the Development Agreement, beyond any applicable notice and cure periods, then KUCDC and the University shall cooperate in the exercise of the University and KUCDC's resulting rights under the Development Agreement, including without limitation, assumption of all Construction Contracts and seeking redress under the guaranty provided by Clark Construction Group, LLC.

All liens and Rights are Subordinate to the University

KUCDC's rights, as well as the rights of anyone else, including, but not limited to, the rights of the Developer, the Authority, or any mortgagee, architect, independent contractor, assignee, sublessee, subcontractor, prime or general contractor, mechanic, laborer, materialmen, or other lien or claim holder, will always be and remain subordinate, inferior, and junior to the University's title, interest, and estate in the Site. Except as otherwise expressly permitted hereunder, KUCDC will not create or permit to be created or to remain, and will discharge, any lien, encumbrance, or charge levied on account of any mechanic's, laborer's, or materialman's lien, or any security agreement, conditional bill of sale, title retention agreement, chattel mortgage, or otherwise that might, or does, constitute a lien, encumbrance, or charge upon the Site, or any part thereof, or the income therefrom, having a priority or preference over or ranking on a parity with the estate, rights, or interest of the University in the Site or any part thereof, or the income therefrom. Nothing in the Ground Lease will be deemed or construed in any way as constituting the consent or request of the University, express or implied, by inference or otherwise, to the filing of any lien against the Site by any contractor, subcontractor, laborer, materialmen, architect, engineer, or other Person for the performance of any labor or the furnishing of any materials or services for or in connection with the Premises or any part thereof.

Title to the Project

Title to the Project, including any modifications or additions thereto during the term of the Ground Lease, will be vested in the University and, if requested by the University, KUCDC is required to execute such further instruments as may be reasonably required in connection therewith, and KUCDC will acknowledge and agree that it shall only have a leasehold interest in such Improvements.

Operation and Maintenance of Project

Upon the Completion of the Project, the University will cause the Developer to perform the O&M Services in accordance with the O&M Agreement. In the event of any failure of the Developer to perform any of the O&M Services, the University will enforce the Developer's obligations and/or provide or obtain from a third party those services that the Developer is required to, but has failed to, provide. KUCDC shall have no obligation to provide the O&M Services.

Assignment of Ground Lease

Except for the sublease of the Site to the University pursuant to the Sublease, and the assignment of KUCDC's interest under the Ground Lease to the Trustee for the benefit of the holders of the Bonds, KUCDC will not have the right to assign or transfer KUCDC's interest in the Premises and the Ground Lease or any portion thereof or any right or privilege appurtenant thereto, or to sublease the Site or any portion thereof, without the prior written consent of the University, which consent may be withheld in the University's sole and absolute discretion, and which consent may be subject to any conditions reasonably required by the University to protect the University's economic and programmatic interests in the Ground Lease, the Sublease and/or the Project. Any attempt to assign without the University's consent will be voidable by the University and, at the University's election, will constitute an event of default under the Ground Lease. The consent by the University to any transfer, hypothecation, assignment or subleasing will not constitute a waiver of the necessity for such consent to any subsequent assignment, transfer, hypothecation or subleasing.

Indemnification by University

Except to the extent caused by the intentional wrongful acts or gross negligence of KUCDC or any of the indemnitees described below, the University, to the extent permitted by applicable law, hereby releases and agrees to indemnify, defend and hold KUCDC and all of its officers, employees, directors, agents, and consultants of and from any and all claims, demands, liabilities, losses, costs, or expenses for any loss including but not limited to bodily injury (including death), personal injury, property damage, expenses, taxes and attorneys' fees, caused by, growing out of, or otherwise happening in connection with the Transaction Documents and/or the development, financing, construction, use, or occupancy of the Site, or resulting from any acts or occurrences on or about the Premises during the term of the Ground Lease.

The University further acknowledges to KUCDC that the University's obligation to pay to the Trustee the amounts specified as Base Lease Payments (which includes principal of and interest on the Bonds) under the Sublease is absolute and unconditional. The University covenants that it will make such payments in the amounts and at the times specified in the Sublease whether the Project is complete or available for use for any reasons, including failure of the Developer to complete the Project, the alleged or actual invalidity of the Ground Lease, the Sublease, or any other document or agreement, or by virtue of any other reason or circumstance whatsoever. If any legal challenge is brought by any person that threatens the ability or legal authority of the University to make Base Lease Payments pursuant to the Sublease or otherwise would, could or might have the effect of causing a failure by the Authority to make any payments on or with respect to the Bonds when due, then:

(a) KUCDC is required to pay to the Trustee such amounts at such times as will be necessary to prevent any such failure, and

(b) The University is required to pay any amounts required to be so paid by KUCDC and is required to pay to KUCDC such amounts and at such times as necessary so that KUCDC is required to have sufficient funds to make any such payment when such payment is due without the necessity of KUCDC making any such payment from its own funds.

The obligations of the University under the provisions of the Ground Lease summarized in this subcaption will survive the expiration or earlier termination of the Ground Lease or any finding of invalidity or unenforceability thereof unless such finding expressly includes the provisions of the subcaption summarized in the Ground Lease. All proper claims submitted to the University hereunder are required to be paid within thirty (30) days after receipt by the University; provided, however, that all such claims made pursuant to these provisions are required to be paid by the University not later than the date necessary to assure full and timely payment on the Bonds in accordance with their terms.

Insurance

Insurance shall be provided by the Developer until the Project or any discrete component is substantially complete; after the substantial completion of the Project or any discrete component thereof, the University shall provide insurance in a manner consistent with its practice for its other property. Unless required in connection with the Bond Documents, KUCDC is not required to maintain any insurance with respect to the Premises in connection with the Ground Lease. KUCDC is required to ensure that not less than commercially reasonable property and liability insurance for the Site consistent with the insurance the University maintains on its other properties and as provided for in the Loan Agreement.

Damage and Destruction

Should the Premises be damaged or destroyed, in whole or in part, by fire, flood, earthquake, windstorm, the elements, casualty, accident, war, riot, public disorder, acts authorized or unauthorized by the government or any other cause or happening, the rights of the University and KUCDC shall be as set forth in the Sublease.

Condemnation

If, during the term of the Ground Lease, the Premises, or any portion thereof or interest in the Ground Lease, is appropriated, taken or damaged by reason of the exercise of the power of eminent domain, whether by condemnation proceedings or otherwise, or any transfer thereof is made in avoidance of an exercise of the power of eminent domain, the rights of the University and KUCDC shall be as set forth in the Sublease.

Arbitration

In the event of a dispute between the parties to the Ground Lease with respect to any event of default or alleged default by either party, KUCDC may, in its sole and exclusive discretion elect to either resolve the dispute in litigation in Kansas state court only, or refer such matter to arbitration by a single arbitrator as provided in the Ground Lease.

Events of Default and Remedies and Remedies

The following are "events of default" under the Ground Lease, and the terms "event of default" or "default" will mean, whenever they are used in the Ground Lease, any one or more of the following events:

(1) KUCDC fails to perform or cause to be performed any term, covenant, condition, or provision hereof, and to correct such failure within thirty (30) days after written notice specifying such failure is given to KUCDC by the University. In the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period but can be wholly corrected within a period of time not materially detrimental to the rights of the University, it will not constitute an event of default if corrective action is instituted by KUCDC within the applicable period and diligently pursued until the failure is corrected.

(2) KUCDC is adjudicated a bankrupt.

(3) A permanent receiver is appointed for KUCDC's interest in the Site and such receiver is not removed within ninety (90) days after notice from the University to KUCDC to obtain such removal.

(4) KUCDC voluntarily takes advantage of any debtor relief proceedings under any present or future law or become subject to any such involuntary proceedings and said involuntary proceedings are not dismissed within ninety (90) days after notice from the University to KUCDC to obtain such dismissal.

(5) KUCDC makes a general assignment for benefit of creditors.

(6) The Premises or KUCDC's effects or interests in the Ground Lease are levied upon or attached under process against KUCDC, and the same is not satisfied or dissolved within ninety (90) days after notice from the University to KUCDC to obtain satisfaction or dissolution thereof.

(7) KUCDC is in default under the Sublease beyond applicable notice and cure periods.

(8) Any other event that is expressly stated to be an event of default elsewhere in the Ground Lease.

Upon the occurrence of an event of default, the University may pursue one of the following remedies in addition to any other remedies it may have under applicable law, each and all of which will be cumulative and nonexclusive, without any notice or demand whatsoever:

Cause KUCDC to assign its interest in the Transaction Documents to an entity of the University's choosing.

The University may, but is not obligated to, make any payment or perform or otherwise cure any obligation, provision, covenant or condition on KUCDC's part to be observed or performed (and may enter the Premises for such purposes if needed). Any damages or judgments arising out of KUCDC's default of its obligations under the Ground Lease will be satisfied only out of KUCDC's interest and estate in the Site, and KUCDC will have no personal liability beyond such interest and estate with respect to such damages or judgments.

It will be acknowledged by the University and KUCDC and agreed that any remedies of the University provided for under the Ground Lease shall be exercised solely by the Trustee as assignee of the University pursuant to the Base Lease Payment Assignment until the principal of and premium, if any, and interest on the Series 2016 Bonds has been paid or deemed paid within the meaning of the Indenture.

No Waiver

No waiver by the University of any violation or breach by KUCDC of any of the terms, provisions and covenants in the Ground Lease contained will be deemed or construed to constitute a waiver of any other or later violation or breach by KUCDC of the same or any other of the terms, provisions, and covenants in the Ground Lease contained. Forbearance by the University in enforcement of one or more of the remedies in the Ground Lease provided upon a default by KUCDC will not be deemed or construed to constitute a waiver of such default.

University Default

The University will not be in default under the Ground Lease unless the University fails to perform any of its obligations within a reasonable time, but in no event later than thirty (30) days after written notice by KUCDC to the University specifying where in the Ground Lease the University has failed to perform such obligation; provided, however, that if the nature of the University's obligation is such that more than thirty (30) days are required for performance then the University will not be in default if the University commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Any damages or judgments arising out of the University's default of its obligations under the Ground Lease may be satisfied only out of the University's interest and estate in the Site, and the University will have no personal liability beyond such interest and estate with respect to such damages or judgments.

Expiration or Termination

Anything in the Ground Lease to the contrary notwithstanding, the Ground Lease may not be terminated for any reason whatsoever while the Sublease remains in full force and effect. Upon the expiration or termination of the Sublease, for any cause whatsoever, the term of the Ground Lease will automatically end, and all rights and interests of KUCDC, and all persons whomsoever claiming by, through or under KUCDC will immediately cease and terminate, and the Site, and all personal property of KUCDC located thereon, will thence forward constitute and belong to and be the absolute property of the University or the University's successors and assigns, without further act or conveyance, and without liability to make such compensation to KUCDC, or to anyone whomsoever, and free and discharged from all and every lien, encumbrance, claim and charge of any character created or attempted to be created by KUCDC or the Developer at any time. KUCDC agrees, at the end of the term of the Ground Lease, to surrender unto the University, the Premises with then existing buildings, other structures and improvements constructed and located thereon and in the Ground Lease, in the condition then existing.

Limitation of Liability.

It is expressly understood and agreed that notwithstanding anything in the Ground Lease to the contrary, and notwithstanding any applicable law to the contrary, the liability of KUCDC under the Ground Lease and any recourse by the University against KUCDC will be limited solely and exclusively to an amount which is equal to the interest of KUCDC in the Site, and

KUCDC will not have any personal liability therefor, and the University hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under the University.

Preservation of Tax Status of Series 2016 Bonds

The University and KUCDC each agree to not take any action with respect to the Project that would adversely affect the exclusion of the interest payable on the Series 2016 Bonds from gross income for Federal income tax purposes, or would otherwise result in a breach of any representations, conditions, or covenants of KUCDC or the University as set forth in the Bond Documents.

Waiver of Redemption by KUCDC

KUCDC waives for KUCDC and for all those claiming under KUCDC all right now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, KUCDC's right of occupancy of the Premises after any termination of the Ground Lease.

No Merger

If under any circumstances both the University's and KUCDC's estates in the Ground Leased Land and/or Project, or any portions thereof, become vested in the same owner, the Ground Lease nevertheless will not be extinguished by application of the doctrine of merger.

BASE LEASE PAYMENT ASSIGNMENT

Pursuant to the Base Lease Payment Assignment Agreement (the *"Base Lease Payment Assignment"*) among KUCDC, the University and the Trustee, the rights of KUCDC to receive amounts payable as Base Lease Payments will be irrevocably assigned to the Trustee as security for the Bonds. In addition, the University has agreed in the Base Lease Payment Assignment to make all such payments directly to the Trustee.

ADDITIONAL BONDS

Additional Bonds may be issued by the Authority which would be payable and secured on a parity with the Series 2016 Bonds in accordance with the provisions of the Indenture. Additional Bonds may be issued (in the Authority's sole and exclusive discretion) for the purpose of financing or refinancing the acquisition, construction, improvement and equipping of classroom, office, housing, dining, parking or other educational or operational facilities comprising the Project, such facilities to be sponsored and controlled by, and owned and operated by or on behalf of, the University and for the making of any deposits (including to the Reserve Account) into the funds and accounts required by the Supplemental Indenture authorizing the issuance of such Series of Bonds in connection with such purpose. The amount of such Additional Bonds and Parity Obligations is not limited; provided, however, certain conditions set forth in the Indenture and Loan Agreement must be satisfied in order for such Additional Bonds to be issued. The Loan Agreement prohibits the Corporation from securing any Additional Bonds or Parity Obligations with a mortgage lien on the property subject to the Sublease. See the captions "THE INDENTURE—Additional Bonds and Refunding Bonds," "THE LOAN AGREEMENT—Additional Bonds" in Appendix D to this Official Statement for a description of Additional Bonds and Parity Obligations and the purposes for which such obligations may be issued under the Indenture and the Loan Agreement.

The Debt Service Reserve Fund will not be funded in connection the issuance of the Series 2016 Bonds but is provided for under the Indenture in the event a Reserve Account Requirement is established in connection with an issuance of Additional Bonds in the future.

DEBT SERVICE REQUIREMENTS

Schedules of the principal and interest payable annually on the Series 2016 Bonds are set forth in Appendix C hereto.

ESTIMATED SOURCES & USES OF FUNDS

The proceeds to be received from the sale of the Series 2016 Bonds and other moneys are estimated to be applied as follows:

SOURCES OF FUNDS	
Par Amount	$326,945,000.00
Premium	56,064,447.80
Total Sources	$383,009,447.80
USES OF FUNDS	
Project Costs	$350,000,000.00
Capitalized Interest	30,759,821.51
Costs of Issuance	2,249,626.29
Total Uses of Funds	$383,009,447.80

THE AUTHORITY

FORMATION AND GOVERNANCE

In early 2010, both houses of the Wisconsin Legislature passed 2009 Wisconsin Act 205 (the *"Act"*), which was signed into law by the Governor of the State of Wisconsin on April 21, 2010. The Act added Section 66.0304 to the Wisconsin Statutes (the *"Statute"*) authorizing two or more political subdivisions to create a commission to issue bonds under the Statute. Before an agreement for the creation of such a commission could take effect, the Act requires that such agreement be submitted to the Attorney General of the State of Wisconsin to determine whether the agreement is in proper form and compatible with the laws of the State. The Authority was formed upon execution of a Joint Exercise of Powers Agreement Relating to the Public Finance Authority dated as of June 30, 2010, as amended by an Amended and Restated Joint Exercise of

Powers Agreement Relating to the Public Finance Authority dated September 28, 2010 (as amended and as may be further amended from time to time, the *"Joint Exercise Agreement"*) among Adams County, Wisconsin, Bayfield County, Wisconsin, Marathon County, Wisconsin, Waupaca County, Wisconsin and the City of Lancaster, Wisconsin (each a *"Member"* and, collectively, the *"Members,"* which term shall include any political subdivision designated in the future as a *"Member"* of the Authority pursuant to the Joint Exercise Agreement). The Joint Exercise Agreement was approved by the Attorney General on September 30, 2010. The Act also provides that only one commission may be formed thereunder.

Pursuant to the Statute, the Authority is a unit of government and a body corporate and politic separate and distinct from, and independent of, the State of Wisconsin and the Members. The Authority was established by local governments, primarily for local governments, for the public purpose of providing local governments a means to efficiently and reliably finance projects that benefit local governments, and nonprofit organizations and other eligible private borrowers in the State of Wisconsin and throughout the country.

POWERS

Under the Statute, the Authority has all of the powers necessary or convenient to any of the purposes of the Act, including the power to issue bonds, notes or other obligations or refunding obligations to finance or refinance a project, make loans to, lease property from or to enter into agreements with a participant or other entity in connection with financing a project. The proceeds of bonds issued by the Authority may be used for a project in the State of Wisconsin or any other state or territory of the United States, or outside the United States if a participating borrower is incorporated and maintains its principal place of business in, the United States or its territories. The Statute defines "project" as any capital improvement, purchase of receivables, property, assets, commodities, bonds or other revenue streams or related assets, working capital program, or liability or other insurance program, located within or outside of the State.

LOCAL APPROVAL

Under the Subsection (11)(a) of the Statute and Section 4 of the Joint Exercise Agreement, financing for all "capital improvement projects" located outside the State of Wisconsin requires approval from the governing body or highest-ranking executive or administrator of at least one political subdivision within whose boundaries the capital improvement project is located (the *"Authority Local Approval Requirement"*). The proposed Project financing and the related issuance of the Series 2016 Bonds will be approved by the Chancellor of the University on behalf of the University prior to the sale of the Series 2016 Bonds. Such approval will be given in satisfaction of the Authority Local Approval Requirement.

GOVERNING BODY

The Joint Exercise Agreement provides for a Board of Directors of the Authority (the *"Board"*) consisting of seven directors (each a *"Director"* and collectively, the *"Directors"*), a majority of whom are required to be public officials or current or former employees of a political subdivision located in the State. The Directors serve staggered three-year terms. The Directors are selected by majority vote of the Board based upon nomination by the organization that nominated the predecessor Director. Four Directors are nominated by the Wisconsin Counties Association, and one Director is nominated from each of the National League of Cities, the National Association of Counties and the League of Wisconsin Municipalities (said organizations being sometimes referred to herein, collectively, as the *"Sponsors"*). Directors and alternate Directors may be removed and replaced at any time by the Board upon recommendation of the Sponsor that nominated such Director.

As of the date of this Official Statement there is one vacant Board seat (representing the nominee of the National League of Cities).

NAME	TITLE	POSITION
William Kacvinsky	Chair	Former Board Chair - Bayfield County, Wisconsin
Jerome Wehrle	Vice Chair	Mayor - City of Lancaster, Wisconsin
Heidi Dombrowski	Treasurer	Finance Director - Waupaca County, Wisconsin
John West	Secretary	Supervisor - Adams County, Wisconsin
Del Twidt	Member	Former Board Chair - Buffalo County, Wisconsin
Michael Gillespie	Member	Former Chair - Madison County, Alabama Board of Commissioners

The Authority has no employees and contracts with a full service program management firm, GPM Municipal Advisors, LLC, to manage the day to day operations of the Authority including but not limited to staff and administrative support and ongoing compliance matters. All of these services provided by GPM Municipal Advisors, LLC are subject to review and approval by the Board.

APPROVAL

The Board approved the issuance of the Series 2016 Bonds on December 2, 2015.

SPECIAL LIMITED OBLIGATIONS

The Series 2016 Bonds are special limited obligations of the Authority payable solely from the funds pledged for their payment pursuant to the Indenture and, except from such source, none of the Authority, any Member, any Sponsor, the State, or any political subdivision or agency thereof shall be obligated to pay the principal of, premium, if any, or interest thereon or any costs incidental thereto. The Series 2016 Bonds do not, directly, indirectly or contingently, obligate, in any manner, any Member, the State of Wisconsin or any political subdivision or agency thereof to levy any tax or to make any appropriation for payment of the principal of, premium, if any, or interest on, the Series 2016 Bonds or any costs incidental thereto. Neither the faith and credit nor the taxing power of any Member, any Sponsor, the State of Wisconsin or any political subdivision or agency thereof, nor the faith and credit of the Authority or of any Sponsor or Authority Indemnified Person, shall be pledged to the payment of the principal of, premium, if any, or interest on, the Series 2016 Bonds or any costs incidental thereto. The Authority has no taxing power.

The Series 2016 Bonds do not, directly, indirectly or contingently, obligate, in any manner the State of Kansas or any political subdivision or agency thereof to levy any tax or to make any appropriation for payment of the principal of, premium, if any, or interest on, the Series 2016 Bonds. Neither the faith and credit nor the taxing power of the State of Kansas or any political subdivision thereof shall be pledged to the payment of the principal of, premium, if any, or interest on, the Series 2016 Bonds.

OTHER OBLIGATIONS

The Authority has issued, sold and delivered in the past, and expects to issue, sell and deliver in the future, obligations other than the Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Bonds. The holders of such obligations of the Authority will have no claim on the security for the Series 2016 Bonds, and the owners of the Series 2016 Bonds will have no claim on the security for such other obligations issued by the Authority.

LIMITED INVOLVEMENT OF THE AUTHORITY

The Authority has not participated in the preparation of or reviewed any appraisal for the Project or any feasibility study or other financial analysis of the Project and has not undertaken to review or approve expenditures for the Project, to supervise the construction of the Project, or to review the financial statements of the Corporation.

The Authority has not participated in the preparation of or reviewed this Official Statement and is not responsible for any information contained herein, except for the information in this section and under the caption "LITIGATION—THE AUTHORITY" as such information applies to the Authority.

THE KANSAS BOARD OF REGENTS

As used in this Official Statement the term "KBOR" means the Kansas Board of Regents of the State of Kansas, as provided for in Article 6 of the Constitution and in the statutes of the State of Kansas, including, prior to May 20, 1999, the state board of regents established pursuant to K.S.A 74-3201 *et seq.* and, on and after May 20, 1999, the State Board of Regents established pursuant to Senate Bill No. 345, 1999 Kansas Legislature, as successor to the state board of regents established pursuant to K.S.A. 74-3201a *et seq.*, and its successors.

KBOR consists of nine regents appointed by the Governor and confirmed by the State Senate of the State of Kansas. The term of office for each regent is four years, with appointments staggered. Not more than five regents may be of the same political party. KBOR is a constitutionally established board, responsible for formulating policy under which the State of Kansas universities operate and for recommending to the State of Kansas Legislature the amount of new State of Kansas funds to be made available to each institution. With respect to State of Kansas universities, KBOR has the power to make and execute contracts; acquire property; pledge or assign revenues; issue revenue bonds; construct, acquire or improve properties; fix, charge and collect rents, tuition and other fees; contract for services; and execute all acts necessary to the performance of its duties. KBOR controls and supervises the University of Kansas with its main campus at Lawrence, the Edwards Campus in Overland Park and the Medical Center with campuses at Kansas City, Salina and Wichita; Kansas State University, with its campuses in Manhattan and Salina; Wichita State University; Emporia State University; Fort Hays State University; and Pittsburg State University.

Revenue bonds for State of Kansas universities under the control of KBOR have been issued for various purposes, but all such bonds are secured separately from the Series 2016 Bonds.

THE UNIVERSITY OF KANSAS

Information regarding the University is set forth in Appendix B. The unaudited Annual Financial Report of the University for the year ended June 30, 2015 is set forth in Appendix A. See the caption "FINANCIAL STATEMENTS—The University" herein.

KU CAMPUS DEVELOPMENT CORPORATION

KUCDC is a Kansas not-for-profit corporation that is controlled by the University which serves as the sole corporate member of KUCDC. The Corporation will be the borrower of the Series 2016 Bond proceeds and will be obligated to pay principal and interest on the Series 2016 Bonds pursuant to the Loan Agreement. KUCDC will also be party to the Development Agreement with the University and the Developer and the Disbursement Agreement with the Developer and the Trustee. The University will lease the Site to KUCDC under the Ground Lease and KUCDC in turn will sublease the Site and Project improvements to the University under the Sublease until the last Base Lease Payment is due or is earlier paid. The agreement of the University to make Base Lease Payments in the Sublease is absolute and unconditional and not subject to abatement or suspension for any reason, and pursuant to such agreement the University agrees to make all Base Lease Payments notwithstanding the non-delivery, non-conformity, malfunctioning, inability to occupy and loss of the Site (in this case, all or any portion of the Project), and agrees to waive all defenses and offsets the University has against KUCDC and any third party to make such payments in any and all such circumstances.

PRIVATE PARTICIPANTS

Contained below under this caption are brief descriptions of a number of the private participants in the Project. Such private participants are not obligated in any respect with respect to the Series 2016 Bonds or the financial obligations of the University or KUCDC under the Sublease or related financing documents. ***Obligations of the University under the Sublease to make Base Lease Payments (which are required to be sufficient to pay debt service on the Bonds as well as certain fees, expenses and other amounts payable to the Authority and the Trustee) will be absolute and unconditional and not subject to abatement or suspension for any reason, including, without limitation, failure of the Developer to complete the Project or failure of KUCDC to deliver the Project, upon completion, to the University.***

THE DEVELOPER

Edgemoor Infrastructure & Real Estate I LLC, a Maryland limited liability company (the *"Developer"* or *"Edgemoor"*), is responsible for development, design, construction, operations and maintenance of the Project under the terms of a Development Agreement, which terminates on completion of construction of the Project, and an O&M Agreement, which has an initial term of 15 years and two optional renewal terms in KUCDC of 15 and 10 years, respectively.

Edgemoor is a leader in the public-private partnership (*"PPP"*) industry in the United States—having completed or having under development and/or asset management 10 PPP projects in the United States with a combined asset value in excess of $1.5 billion. Edgemoor is a wholly-owned subsidiary of Clark Construction Group, LLC. Clark Construction Group, LLC will guarantee the Developer's obligations under the Development Agreement (the *"Guarantor"*), including but not limited to a guarantee of the lien-free completion of construction of the "Development Work" in accordance with the Development Agreement. "Development Work" is defined in the guarantee as the development, design and construction of various facilities in the Central District as more particularly described in the Development Agreement. Edgemoor intends to enter into an agreement with Johnson Controls, Inc., a publicly traded company headquartered in Milwaukee, whereby Johnson Controls, Inc. will perform the majority of Edgemoor's services under the O&M Agreement with respect to the Project.

DESIGN-BUILD CONTRACTORS

The design-build contractors (the *"Design-Build Contractors"*) for a portion of the project is a joint venture between the Clark Construction Group (*"Clark"*) a Maryland limited liability company and McCownGordon (*"McCownGordon"*) a Missouri limited liability company. This joint venture is responsible for the portion of the Project consisting of the design and construction of the Integrated Sciences Building, the Student Union building, the central utility plant, parking structures and surface lots and infrastructure work and improvements. A second entity, CBG Building Company LLC (*"CBG"*), a Kansas limited liability company, and an affiliate of CBG Building Company LLC, is also a Design-Build Contractor and is responsible for the remaining portion of the Project consisting of student housing facilities, residence hall facility and associated dining facility. Collectively, the Design-Build Contractors will develop the Project pursuant to the design-build agreements (the *"Design-Build Agreements"* or *"DB Agreements"*).

Under the terms of the Design-Build Agreements, Perkins + Will, a limited liability company, is responsible for the design of the Integrated Science Building, the Union, structured parking, and site infrastructure components, and Treanor Architects, a limited liability company, is responsible for the design of the student housing apartments, residence hall facilities and dining center.

ANNUAL DEBT SERVICE REQUIREMENTS

For a table of the Annual Debt Service on the Series 2016 Bonds, see the caption "ANNUAL DEBT SERVICE REQUIREMENTS" in Appendix C hereto.

CERTAIN INVESTMENT CONSIDERATIONS

The ability of the Authority to pay the principal, redemption premium, if any, and interest on the Series 2016 Bonds depends upon the ability of the University to make available funds pursuant to the Sublease for Base Lease Payments to the Corporation. A number of risks which could prevent the University from making such payments to the Corporation are outlined below.

NO SECURITY FOR UNIVERSITY OBLIGATIONS

Pursuant to the Sublease, the University has covenanted with the Corporation to provide funds to the Corporation as Base Lease Payments sufficient for payment of (i) debt service on the Bonds, and (ii) all fees, expenses and other amounts payable to the Authority and the Trustee pursuant to the Indenture and the Loan Agreement. The Corporation has no other source of funds from which to pay the Loan Repayments securing debt service on the Bonds. See the captions "SECURITY FOR THE SERIES 2016 BONDS – THE SUBLEASE" herein. There is no pledge of a security interest in any revenues or other funds of the University to secure its obligations under the Sublease.

The Bonds are not secured by a leasehold mortgage or any other security interest in the Project or any revenues of the University and accordingly the Trustee will have no ability to take possession of the Project or to terminate the rights of the University to possession of the Project in the event of a default by the University under the Sublease. The Trustee's remedies in such circumstances will be limited to contractual remedies under the Sublease and the Base Lease Payment Assignment and other remedies available in law or in equity. See the captions "SECURITY FOR THE SERIES 2016 BONDS – THE GROUND LEASE" and "– THE SUBLEASE" herein.

No title insurance policy or commitment is being obtained in connection with the Ground Lease or the Sublease. Accordingly, no title insurance proceeds will be available to the Trustee in the event title to the land upon which the Project is constructed fails. The University will represent upon delivery of the Series 2016 Bonds that it has good and marketable fee simple title to the land upon which the Project is being constructed. The land is centrally located on the

University's campus and has been owned by the University since 1957 pursuant to a warranty deed.

Priority of Payment

While the Series 2016 Bonds are not secured by a pledge or security interest in revenues or funds of the University, as described above, certain obligations of the University are, however, and may in the future be, secured by a pledge of certain University revenues. See the discussion under the caption "FINANCIAL INFORMATION OF THE UNIVERSITY—KDFA Revenue Bonds Issued for the University and its Affiliated Entities*"* in Appendix B hereto. A portion of the revenues of the University pledged to the payment of the KDFA Revenue Bonds (as defined under such caption in Appendix B) are the revenues of the University that are expected to be available to pay Base Lease Payments to KUCDC. It has not been determined by the University whether the payment of the University's obligations with respect to either the KDFA Revenue Bonds or the Base Lease Payments would have priority over the other if there were not sufficient revenues of the University to pay both. It is possible, although presently uncertain, that in a default situation, a court in law or equity could determine that the pledge of revenues by the University with respect to the KDFA Revenue Bonds would have a priority over the obligation of the University to pay Base Lease Payments under the Sublease.

No Acceleration, Enforcement of Remedies and Risks of Bankruptcy

The Sublease does not provide for acceleration of Base Lease Payments, the Loan Agreement does not provide for acceleration of Loan Repayments and the Indenture does not provide for acceleration of the payments on the Series 2016 Bonds upon the occurrence and continuation of an event of default by KUCDC or the University, as applicable, under any of such documents. Accordingly, the Trustee does not have the ability to accelerate any such payments upon the occurrence of an event of default and has available to it only those remedies described under the caption "THE SERIES 2016 BONDS – REMEDIES" above, "THE SUBLEASE – *Events of Default and Remedies*" and under the caption "THE INDENTURE—Events of Default; Remedies on Default" in Appendix D hereto.

Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the *"Bankruptcy Code"*), the enforceability of the rights and remedies under the Indenture, the Loan Agreement, the Ground Lease and the Sublease and the availability of remedies to any party seeking to enforce the security granted thereby may be limited or substantially delayed and are subject to judicial discretion in appropriate cases or are subject to the required use of statutory remedial provisions, and as described below.

Also under existing constitutional and statutory law and judicial decisions, because Kansas law is silent as to whether any public entity in Kansas may file a petition under the municipal bankruptcy provisions (chapter 9) of the Bankruptcy Code, the University would not be eligible under the Bankruptcy Code to file a municipal bankruptcy petition. However, there is no guaranty that Kansas law might not be changed in the future in this respect by authorizing a bankruptcy filing by its municipalities, including, potentially, the University. In addition, it is possible that in the future the Bankruptcy Code could be amended in a manner that would permit the University to file for bankruptcy. If the University were ever to file for bankruptcy, the holders of the Series 2016 Bonds could suffer losses.

KUCDC is eligible to file for voluntary bankruptcy. Under existing constitutional and statutory law and judicial decisions, creditors might not be permitted to file an involuntary bankruptcy petition against KUCDC. Should KUCDC become the subject of a bankruptcy case, there could be adverse effects on the holders of the Series 2016 Bonds that could result in delays or reductions in payments on, or other losses with respect to, the Series 2016 Bonds.

The automatic stay provisions of the Bankruptcy Code could prevent any action to collect any amount from KUCDC or any action to enforce any obligation of KUCDC, unless the permission of the bankruptcy court is obtained. In particular, unless permission of the bankruptcy court is obtained, the Trustee may be prevented from foreclosing on any collateral that belongs to KUCDC. The Trustee may also be prevented from exercising any of the rights of KUCDC under the transaction documents that have been assigned to the Trustee. These restrictions may also prevent, unless permission of the bankruptcy court is obtained, the Trustee from making payments to the holders of the Series 2016 Bonds from funds in the Trustee's possession during the pendency of the bankruptcy proceedings. Notwithstanding the provisions of the transaction documents that require the University to make all payments directly to the Trustee, KUCDC may be able to require that payments by the University be paid to it.

KUCDC may be able, with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the holders of the Series 2016 Bonds, and without complying with the terms of the transaction documents, to reject the Ground Lease. If the Ground Lease were rejected, then the Sublease may terminate. If the Sublease terminates, the University may no longer be obligated to make any payments (including Base Lease Payments) under the Sublease, and the University as sublessee may no longer be able to use the Site, but the University as owner may be able to use the Site. Under such circumstances, the holders of the Series 2016 Bonds could suffer substantial losses.

KUCDC may be able, with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the holders of the Series 2016 Bonds, and without complying with the terms of the transaction documents, to reject the Sublease. If the Sublease is rejected, the University would have the option to either treat the Sublease as terminated or to remain in possession. If the University treats the Sublease as terminated, the University may no longer be obligated to make any payments (including Base Lease Payments) under the Sublease, but the University as owner may still be able to use the Site. Under such circumstances, the holders of the Series 2016 Bonds could suffer substantial losses.

KUCDC may be able, with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the holders of the Series 2016 Bonds, and without complying with the terms of the transaction documents, to sell or assign its leasehold estate in the Site. If the leasehold estate in the Site is sold or assigned, it is not clear whether or not the Sublease would automatically terminate. If the Sublease does terminate, the University may no longer be obligated to make any payments (including Base Lease Payments) under the Sublease. Under such circumstances, the holders of the Series 2016 Bonds could suffer substantial losses.

KUCDC has not granted a leasehold mortgage to the Trustee, and it has not assigned any interest in the Sublease to the Trustee. The Base Lease Payment Assignment, pursuant to which KUCDC has assigned to the Trustee its rights to receive Base Lease Payments, will not be recorded. As a result, if KUCDC is in bankruptcy, KUCDC or its bankruptcy trustee may be able to void the Base Lease Payment Assignment (pursuant to the so-called "strong-arm" powers). Under such circumstances, the holders of the Series 2016 Bonds may be treated as unsecured creditors of KUCDC. Even if the Base Lease Payment Assignment is not voided, it is possible that Base Lease Payments payable after the commencement of the Bankruptcy Case may not be subject to the terms of the Base Lease Payment Assignment. Under such circumstances, the Trustee and the holders of the Series 2016 Bonds may have no rights to such Base Lease Payments, and may thus be the equivalent of unsecured creditors of KUCDC.

KUCDC may be able to borrow additional money that is secured by a lien on any of its property (including the Base Lease Payments), which lien could have priority over the rights of the holders of the Series 2016 Bonds, as long as the bankruptcy court determines that the rights of the holders of the Series 2016 Bonds will be adequately protected. KUCDC may be able to cause some of the Base Lease Payments to be released to it, free and clear of the rights of the holders of the Series 2016 Bonds, as long as the bankruptcy court determines that the rights of the holders of the Series 2016 Bonds will be adequately protected.

Payments previously made to the holders of the Series 2016 Bonds during the 90 days (or in some cases one year) immediately preceding the commencement of KUCDC's bankruptcy case may be avoided as preferential payments, so that the holders would be required to return such payments to KUCDC.

KUCDC may be able, without the consent and over the objection of the Trustee and the holders of the Series 2016 Bonds, to alter the priority, interest rate, principal amount, payment terms, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture, the Series 2016 Bonds, and other transaction documents, as long as the bankruptcy court determines that the alterations are fair and equitable.

Actions could be taken in a bankruptcy case of KUCDC which could adversely affect the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes.

In a case under the Bankruptcy Code, KUCDC could file a plan of reorganization. The plan is the vehicle for satisfying and provides for the comprehensive treatment of all claims against KUCDC and could result in the modification of rights of any class of creditors, secured or unsecured, including the owners of the Series 2016 Bonds. To confirm a plan of reorganization, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of a plan. Approval by classes of interests requires a vote in favor of the plan by two-thirds in amount. If these levels of votes are attained, those voting against the plan or not voting at all are nonetheless bound by the terms thereof. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished. If fewer than all of the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court and the dissenting claims and interests would be bound thereby. For this to occur, at least one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to the nonconsenting class or classes. The Bankruptcy Code establishes different fair and equitable tests for secured claims and interest holders. To be confirmed, the bankruptcy court must also determine that a plan, among other requirements, provides creditors with not less than would be received in the event of liquidation, is proposed in good faith, and that the debtor's performance is feasible.

KUCDC could threaten to take any of the actions described above as part of negotiations to alter its obligations under the Ground Lease, the Sublease, the Indenture, or other transaction documents.

There may be delays in payments on the Series 2016 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of KUCDC that could result in delays or reductions in payments on the Series 2016 Bonds, or result in losses to the holders of the Series 2016 Bonds. Regardless of any specific adverse determinations in a KUCDC bankruptcy proceeding, the fact of a KUCDC bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2016 Bonds.

KUCDC has not granted a leasehold mortgage to the Trustee and has not assigned any interest in the Sublease to the Trustee, and the Base Lease Payment Assignment will not be recorded. As a result, even if KUCDC is not in bankruptcy, if KUCDC were to assign any interest in the Site, the Sublease, or the Lease Payments to a third party, whether deliberately or inadvertently, and such assignee were to record the assignment to it, such assignee could have rights to the Lease Payments that are superior to those of the Trustee and the holders of the Series 2016 Bonds. Similarly, a lien creditor of KUCDC could obtain superior rights to the Lease Payments.

UNIVERSITY REVENUES MAY BE PLEDGED OR RESTRICTED

While there is no specific pledge of revenues of the University to secure its obligations under the Sublease, the revenues of the University that are generally available to pay Base Lease Payments pursuant to the University's obligation under the Sublease consist of all revenues that are not restricted to a purpose inconsistent with the payment of Base Lease Payments and are not derived from State appropriations. See "FINANCIAL INFORMATION OF THE UNIVERSITY—University Funds Available for Lease Payments to KUCDC" in Appendix B hereto, for a description of revenues available for the Lease Payments.

Certain revenues of the University have been pledged to other indebtedness of the University, described under the caption "FINANCIAL INFORMATION OF THE UNIVERSITY—KDFA Revenue Bonds Issued for the University and its Affiliated Entities" in Appendix B hereto. These revenues may be pledged by the University to the payment of any other future indebtedness of KBOR or the University. For a description of certain additional indebtedness expected to be incurred by the University, and to what these revenues may be pledged, see the caption "FINANCIAL INFORMATION OF THE UNIVERSITY—Capital Projects and Planned Additional Debt Obligations" in Appendix B hereto. There is no covenant or other restriction on the amount of additional debt to which these revenues may in the future be pledged by KBOR or the University.

The amount of available revenues may also be reduced in the future by (i) an act of the Kansas Legislature, (ii) an increase in the amount of fees, funds and revenues specifically pledged to secure the payment of revenue obligations of KBOR or the University that would not then be available for Base Lease Payments or (iii) an increase in gifts, fees and other revenues restricted by donors or KBOR to a use other than Base Lease Payments. State of Kansas appropriations are not available for the Base Lease Payments. There is no statute, law or contractual obligation of the State of Kansas with respect to any amount of future State of Kansas appropriations that would prevent the Kansas Legislature from restricting future appropriations. Neither KBOR nor the University is obligated to maintain any amount of revenues free of restrictions that would cause revenues or receipts of the University to be excluded from the amount of revenues available for the Base Lease Payments under the Sublease, and, by assignment to the Trustee, of debt service on the Bonds. For purposes of the Bonds, no funds appropriated by the State of Kansas Legislature are available or may be pledged, under Kansas law, to make Base Lease Payments under the Sublease.

Accordingly, no assurance can be given as to the amount of unrestricted revenues which might be available in the future to make Lease Payments under the Sublease with respect to the Bonds.

STATE OF KANSAS APPROPRIATIONS MAY BE REDUCED

While the obligations of the University under the Sublease are not secured by any pledge of State of Kansas appropriations, and such appropriations may not in any event be applied to debt service on the Series 2016 Bonds, any reduction in general appropriations can potentially decrease other sources of unrestricted revenues available to pay the Lease Payments. The State of Kansas is not obligated in any manner to make future appropriations to the University in the amounts that have been appropriated in the past. See the caption "FINANCIAL INFORMATION OF THE UNIVERSITY" in Appendix B hereto for a description of recent State of Kansas appropriations for the University. The amount of annual State of Kansas appropriations to the University has been reduced in the past and may be reduced in the future, which in turn would reduce the amount of unrestricted revenues of the University available for Base Lease Payments and, in turn, debt service on the Bonds. For example, during the 2015 legislative session, the Kansas Legislature reduced all higher education budgets by 2.0%. The most recent State Consensus Revenue Estimate in November 2015 reduced the estimate of FY 2016 revenues of the State of Kansas by 2.5%. The revised estimates for FY 2017 were 3.0% below the previous estimates. However, no assurance can be given that there will or will not be future legislative reductions of appropriations, whether made to higher education budgets generally or for a specific purpose.

MATTERS RELATING TO SECURITY FOR THE SERIES 2016 BONDS

The remedies available to the Trustee or the registered owners of the Series 2016 Bonds upon an Event of Default under the Indenture, the Loan Agreement or the Sublease are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Based upon existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies provided in the Transaction Documents upon any such default may not be readily available or may be limited in application. The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds and the delivery of the Loan Agreement, the Indenture, the Ground Lease, the Sublease will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

PROJECT RISKS

While the obligation of the University to make Base Lease Payments under the Sublease is unconditional and not subject to abatement for any reason prior to payment of the Series 2016 Bonds in full, were the Project not to be constructed as scheduled (see the caption "PLAN OF FINANCE—The Project") for any reason, the failure to construct the Project or a delay in the completion of the certain revenue-producing components of the Project could have a material adverse impact on the financial condition of the University. The performance of the Developer is guaranteed by Clark Construction Group, LLC, as described under the caption "PRIVATE PARTICIPANTS—The Developer" herein, and the Design-Builder is providing a Payment Bond and a Performance Bond for the Project. The Payment Bond will secure the obligations of the Design-Builder to pay subcontractors and suppliers amounts owed by the Design-Builder. The Performance Bond provides security to the obligees that the Design-Builder will complete all of its obligations under the Construction Contract. However, such guarantee and such payment and performance bonds cannot assure the completion of the project on schedule. Certain components of the Project are expected to generate revenues which the University has identified as available for the payment of Base Lease Payments by the University, as described at the caption "PLAN OF FINANCE—Expected Source of Revenues for Base Lease Payments" herein. As a result, if the expected sources of revenues are not available as a result of the timely completion of the revenue producing components of the Project, the University would be required to identify and apply other revenues, if available, to satisfy its obligation to make Base Lease Payments.

GENERAL FACTORS AFFECTING REVENUES

The University believes that the strength of its academic programs, faculty and facilities and its reputation nationally and internationally indicate that stable demand for its educational programs will continue; however, no assurance can be given that demand will not decrease for any reason. A significant decrease in the University's enrollment could adversely affect the University's financial position and results of operations, including the amount of revenues available from tuition.

A substantial percentage of the University's students receive some financial support in the form of state or federally supported loans and grants and institutional assistance. See the caption "FACULTY, ENROLLMENT, TUITION, FEES AND FINANCIAL ASSISTANCE" in Appendix B hereto. There can be no assurance that the number of federally supported loans or the amounts of moneys available under these programs will remain stable or increase in the future. Any significant change in the availability of financial aid could adversely affect the University's enrollment and, in turn, the University's ability to pay principal of, premium, if any, and interest on the Series 2016 Bonds.

A significant portion of the University's current unrestricted revenues is provided through tuition and related fees. Although the University in the past has been able to raise tuition and related fees in sufficient amounts without adversely affecting enrollment, there can be no assurance that it will continue to be able to do so in the future.

The University faces competition for students, faculty, and funding from other public and private higher education institutions in Kansas, nationally and internationally. No assurance can be given that such competition will not adversely affect the operations or financial condition of the University.

MARKET FOR THE SERIES 2016 BONDS

There is no established secondary market for the Series 2016 Bonds, and there is no assurance that a secondary market will develop for the purchase and sale of the Series 2016 Bonds. Prices of bonds traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in the operations and financial results of the Corporation and the University. From time to time it may be necessary to suspend indefinitely secondary market trading in the Series 2016 Bonds as a result of the financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information regarding the Series 2016 Bonds, whether or not the Series 2016 Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

The Corporation has covenanted to comply with the provisions of Rule 15c2-12 of the Securities and Exchange Commission. In the event that the Corporation and the University fail to provide the necessary information to comply with said rule, it could adversely impact an Owner's ability to sell the Series 2016 Bonds in the secondary market.

TAX LEGISLATION AND OTHER MATTERS

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2016 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2016 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2016 Bonds.

LEGAL MATTERS

Various state (including Kansas and Wisconsin) and federal laws, regulations and constitutional provisions apply to the operations of the Corporation, the University and the Authority. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Corporation, the University or the Authority.

SUITABILITY OF INVESTMENT

The exclusion of interest on the Series 2016 Bonds from certain taxes described under the caption "TAX MATTERS" is more valuable to high income tax bracket investors than to investors who are in low income tax brackets, and so the value of the interest compensation to any particular investor will vary with income tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Series 2016 Bonds are an appropriate investment.

LITIGATION

THE AUTHORITY

To the Authority's knowledge, as of the date of this Official Statement, there is not pending against the Authority any litigation restraining or enjoining the issuance or delivery of the Series 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or any proceedings or authority under which the Series 2016 Bonds are to be issued.

THE CORPORATION

No litigation, proceedings or investigations are pending or, to the knowledge of the Corporation, threatened against the Corporation, except litigation involving claims which, if adversely determined, will not, in the opinion of the counsel to the Corporation, materially and adversely affect the financial condition of, the operations of the Corporation.

THE UNIVERSITY

No litigation, proceedings or investigations are pending or, to the knowledge of the University, threatened against the University, except litigation involving claims which, if adversely determined, will not, in the opinion of the counsel to the University, materially and adversely affect the financial condition of, the operations of, or revenues generated by, the University's operation of its facilities.

RATING

Moody's Investors Service has assigned a rating to the Series 2016 Bonds prior to the sale to the public of "Aa2 (Outlook Negative)". A report outlining the basis for the rating by such rating agency has been issued by such rating agency in connection with the issuance of such rating and a copy may be obtained by contacting the applicable rating agency. Such rating reflects only the view of the issuing rating agency, and an explanation of the significance of such ratings may be obtained from such rating agency. The rating is not a recommendation to buy, sell or hold the Series 2016 Bonds. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, by said rating agency if, in its judgment, circumstances warrant. Any downward revisions or withdrawal of such rating may have an adverse effect on the secondary market price and liquidity of the Series 2016 Bonds.

UNDERWRITING

J.P. Morgan Securities LLC, as representative (the *"Representative"*) on behalf of itself, Barclays Capital, Inc., Wells Fargo Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated and George K. Baum & Company, as underwriters of the Series 2016 Bonds (collectively with the Representative, the *"Underwriters"*), will purchase the Series 2016 Bonds at an aggregate purchase price of $381,700,067.22 (representing the principal amount of the Series 2016 Bonds, less an underwriting discount of $1,309,380.58 plus an original issue premium of $56,064,447.80). The Underwriters will be obligated to purchase all of the Series 2016 Bonds if any such bonds are purchased. The obligation of the Underwriters to purchase the Series 2016 Bonds from the Authority is subject to certain customary conditions to delivery. The Series 2016 Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, the Corporation or the University, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their affiliates purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority, the Corporation or the University (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority, the Corporation or the University. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters have provided the following paragraphs for inclusion in this Official Statement, and the Authority takes no responsibility for the accuracy thereof.

The Representative has entered into negotiated dealer agreements (each, a *"Dealer Agreement"*) with each of Charles Schwab & Co., Inc. *("CS&Co.")* and LPL Financial LLC (*"LPL"*) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2016 Bonds from the Representative at the original issue price less a negotiated portion of the selling concession applicable to any Series 2016 Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association (*"WFBNA"*), one of the underwriters of the Series 2016 Bonds, has entered into an agreement (the *"Distribution Agreement"*) with its affiliate, Wells Fargo Advisors, LLC (*"WFA"*), for the distribution of certain municipal securities offerings, including the Series 2016 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2016 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (*"WFSLLC"*), for the distribution of municipal securities offerings, including the Series 2016 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

George K. Baum & Company and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, have a distribution agreement enabling Pershing LLC to obtain and distribute certain municipal securities underwritten by or allocated to George K. Baum & Company. Under the distribution agreement, George K. Baum & Company will allocate a portion of received takedowns, fees or commissions to Pershing for bonds sold under the agreement.

FINANCIAL ADVISOR TO THE UNIVERSITY

Public Financial Management, Inc., Memphis, Tennessee (*"PFM"*), is serving as financial advisor to the University with respect to the issuance and sale of the Series 2016 Bonds. PFM has advised the University in matters relating to the planning, structuring and issuance of the Series 2016 Bonds. PFM 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.

PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

FINANCIAL ADVISOR TO THE DEVELOPER

Project Finance Advisory, Ltd. (*"PFAL"*) is acting as financial advisor solely to the Developer in connection with the issuance of the Series 2016 Bonds. At the Developer's request, PFAL has assisted the Developer in certain matters relating to the financial planning, structuring and issuance of the Series 2016 Bonds. PFAL has not been engaged, nor has it undertaken, to independently verify the accuracy, completeness, or fairness of the information in this Official Statement. PFAL is a "municipal advisor" under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and has not participated in any underwriting syndicate that will purchase or sell any of the Series 2016 Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2016 Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP Bond Counsel. The form of the opinion of Bond Counsel is attached as Appendix G hereto. Certain legal matters will be passed upon for the Authority by its counsel, von Briesen & Roper, s.c., for the University by its special disclosure counsel, Kutak Rock, LLP, for the University by James P. Pottorff, Jr., its General Counsel, for the Corporation and for the University by their special counsel, Pillsbury Winthrop Shaw Pittman LLP, for the University by its special counsel, Barber Emerson, L.C., with respect to the enforceability of the Sublease against the University, and for the Underwriters by their counsel, Chapman and Cutler LLP.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Agreement, the form of which is attached hereto as Appendix F, the Corporation and the University have covenanted for the benefit of holders and Beneficial Owners of the Series 2016 Bonds to provide certain financial information of the Corporation and certain financial information and operating data of the University within 190 days after the end of each Fiscal Year beginning with the fiscal year ended June 30, 2016, and to provide notices of the occurrence of certain enumerated events. As provided in the Continuing Disclosure Agreement, the Dissemination Agent on behalf of the Corporation and the University will file the Annual Report, together with notice of the occurrence of enumerated events relating to the Series 2016 Bonds as provided in the Continuing Disclosure Agreement, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (the *"MSRB"*). The MSRB has designated its Electronic Municipal Market Access system, found at http://emma.msrb.org, as the repository for such information. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the form of the Continuing Disclosure Agreement attached as Appendix F to this Official Statement. These covenants have been made in order to assist the original purchasers or underwriters in complying with the SEC Rule.

In the previous five years, the University has not fully complied with certain previous undertakings pursuant to the SEC Rule as described below (which information below is presented irrespective of materiality).

The University's annual financial information filings or portions thereof have been posted one to eight days after the due dates required pursuant to continuing disclosure undertakings approximately twelve times for the University's fiscal years 2010 through 2013 with respect to at least five bond issues on which the University is an obligated party pursuant to continuing disclosure undertakings. In one additional instance, the annual financial information for fiscal year 2011 was filed 55 days following the due date. For one series of bonds, notices of changes in bond insurer ratings were not timely filed on multiple occasions. In addition, in connection with the Series 2007E Bonds issued for the benefit of the Kansas Board of Regents on behalf of the University by the KDFA, the University information was filed, but the additionally required financial statements for Kansas Athletics, Incorporated for fiscal years 2009, 2010 and 2011 were not timely filed and were filed with the MSRB through EMMA on February 10, 2014.

In order to facilitate compliance with continuing disclosure undertakings, the University has designated personnel responsible for compliance with such undertakings.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (*"Bond Counsel"*), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the *"Code"*). Bond Counsel is of the further opinion that interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix G hereto.

Series 2016 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (*"Premium Bonds"*) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2016 Bonds. The Authority, the Corporation and the University have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2016 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2016 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2016 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2016 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2016 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2016 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2016 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2016 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2016 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (*"IRS"*) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, the Corporation or the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority, the Corporation and the University have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2016 Bonds ends with the issuance of the Series 2016 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Corporation, the University or the Beneficial Owners regarding the tax-exempt status of the Series 2016 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Corporation and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority, the Corporation or the University legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2016 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2016 Bonds, and may cause the Authority, the Corporation, the University or the Beneficial Owners to incur significant expense.

FINANCIAL STATEMENTS

THE CORPORATION

The Corporation is not expected to have employees or any material financial operations as described above, and all payments on the Sublease to be applied to pay debt service on the Series 2016 Bonds will be paid by the University to the Trustee for application under the Indenture. However, it is expected that there will be separate annual financial statements of the Corporation prepared.

THE UNIVERSITY

The Annual Financial Report of the University for the fiscal year ended June 30, 2015, which was prepared by the University and has not been audited, is set forth as Appendix A hereto. Information from the Annual Financial Report of the University is included in certain audited financial statements of the State of Kansas which are a part of the State of Kansas Consolidated Annual Financial Report (*"CAFR"*). However, the CAFR does not separately state financial information for the University. No separate audited financial statements have been prepared by the University in the past and none are anticipated to be available in the future.

MISCELLANEOUS

The Corporation and the University have furnished all information in this Official Statement relating to the Project, their facilities and their operations.

Except for information concerning the Authority under the captions "THE AUTHORITY" and "LITIGATION—The Authority" herein and certain information regarding continuing disclosure filings, none of the information in this Official Statement has been supplied or verified by the Authority and the Authority makes no representation or warranty, express or implied, as to the accuracy or completeness of such information. The summaries or descriptions of provisions of the Series 2016 Bonds, the Loan Agreement, the Indenture, the Ground Lease, the Sublease and the Continuing Disclosure Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such instruments, documents and other materials for the complete provisions thereof.

Any statement made in this Official Statement including all appendices hereto, involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority, the Corporation, the University, the Underwriters and the purchasers or Owners of any Series 2016 Bonds.

Any requests for additional information with respect to the Series 2016 Bonds may be obtained upon request from the office of University of Kansas Office of the General Counsel, 1450 Jayhawk Blvd, Room 245, Lawrence, KS 66045. Attention: James Pottorff, General Counsel.

The preparation of this Official Statement and its distribution have been authorized by KUCDC and the University.

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APPENDIX A — THE UNIVERSITY OF KANSAS ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2015 (UNAUDITED)

The Annual Financial Report in this Appendix A contains website addresses and/or links. None of the information included on the websites identified or linked in this Appendix A, or on the University's websites generally, is incorporated by reference into this Appendix A or this Official Statement.

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KU

2015 ANNUAL
FINANCIAL REPORT

JULY 1, 2014-JUNE 30, 2015

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Kansas Board of Regents

Joe Bain
Shane Bangerter
Ann Brandau-Murguia
Bill Feuerborn
Fred Logan
Robba Moran
Zoe Newton
Helen Van Etten
Kenny Wilk

Executive Officers

Bernadette Gray-Little
Chancellor

Theresa Gordzica
Chief Business and Financial Planning Officer

Lawrence Campus

Jeffrey S. Vitter
Executive Vice Chancellor / Provost

Diane H. Goddard
Vice Provost for Administration & Finance

Richard L. McKinney
Associate Vice Provost for Administration & Finance

Medical Center Campus

Dr. Douglas A. Girod
Executive Vice Chancellor

David Vranicar
Vice Chancellor for Finance/CFO

R. Michael Keeble
Associate Vice Chancellor of Finance

Financial Officers

Katrina Yoakum
Comptroller, Lawrence Campus

Jerry Glenn
Associate Controller, Medical Center

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis has been prepared by management to provide an overview of the financial performance of the University of Kansas (the "University") based on currently known facts, decisions, and conditions and is designed to assist readers in understanding the accompanying financial statements and footnotes. The University's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The University's financial statements, related footnote disclosures, and discussion and analysis have been prepared by the University management in accordance with Government Accounting Standards Board (GASB) principles.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the University at a point in time (at the end of the fiscal year). Its purpose is to present a financial snapshot of the University. The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. Under the accrual basis of accounting, revenues and assets are recognized when the service is provided by the University and expenses and liabilities are recognized when others provide the service to the University, regardless of when cash is received or paid.

Within the Statement of Net Position, assets and liabilities are further classified as current or non-current. The current classification distinguishes those assets that are highly liquid and available for immediate and unrestricted use by the University, and those liabilities likely to be settled in the next 12 months.

Net position is divided into three categories:

1. **Net investment in capital assets** indicates the University's equity in property, plant, and equipment.
2. **Restricted net position** is further divided into two subcategories, non-expendable and expendable. The corpus of non-expendable restricted resources is available only for investment purposes. Expendable restricted net position is available for expenditure by the University, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
3. **Unrestricted net position** is available to the University for any lawful purpose of the institution.

Total assets at June 30, 2015 were $1,820.2 million, an increase of $36.8 million (2.1%). Capital assets net of depreciation comprised 65.3%, or $1,188.6 million of the assets. Current assets decreased 15.3% primarily associated with a decrease in restricted cash and cash equivalents of $76.2 million. The decrease in restricted cash resulted from spending balances in project funds for the Learned Engineering Expansion Phase II (LEEPII) and McCollum Residence Hall replacement projects, which were funded with bonds sold during previous fiscal years.

Total deferred outflows were $10.8 million, an increase of $7.1 million (193.4%) compared to $3.7 million at June 30, 2014. The increase in deferred outflows is related to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, pertaining to the University's share of the Kansas Public Employees Retirement System (KPERS) pension liability (see Note 15).

Total liabilities were $751.0 million at June 30, 2015, an increase of $47.1 million (6.7%) compared to $703.9 million at June 30, 2014. Current liabilities decreased $4.5 million (2.3%) primarily because of a decrease in accounts payable and accrued expenses of 4.6% and a decrease in accrued compensated absences of 10.0%. The decrease in accounts payable is a result of the timing of accrued grant expenses and other general accounts payable, offset by an increase pertaining to the accrual of one additional day of payroll expenses under the bi-weekly pay cycle, and the decrease in accrued compensated absences is a result of modifying the calculation pertaining to the liability. Long-term liabilities comprised 74.0%, or $555.7 million of the liabilities and increased $51.5 million (10.2%). Long-term liabilities increased primarily from the adoption of GASB Statement No. 68 pertaining to the University's share of the KPERS pension liability (see Note 15), offset by a decrease in revenue bonds payable because of the payment on existing bonds.

The University recognized a deferred inflow of $18.8 million at June 30, 2015 related to the adoption of GASB Statement No. 68 pertaining to the University's share of the KPERS pension liability (see Note 15).

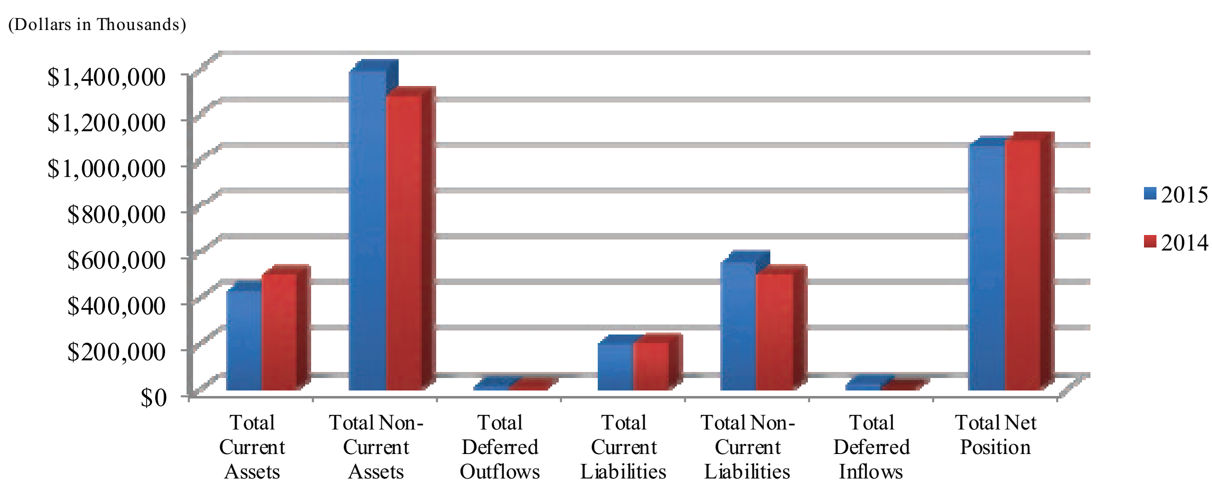
Total net position at June 30, 2015 is $1,061.1 million, a $22.0 million decrease over the prior year, or a 2.0 % decrease in net position.

The breakout of net position is shown below (in thousands) as of June 30:

	2015	Restated 2014
Net investment in capital assets	$ 749,550	$ 722,845
Restricted for:		
Nonexpendable	62,423	61,433
Expendable:		
Scholarships, research, instruction and other	46,830	51,023
Loans	32,289	25,817
Capital projects	51,723	29,152
Debt service	11,420	11,214
Unrestricted	106,948	181,663
Total net position	**$ 1,061,183**	**$ 1,083,147**

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt related to the acquisition, construction or improvement of those assets. The increase in net investment in capital assets and the decrease in unrestricted net position reflects the University's continued development and renewal of its capital assets in accordance with its long-range capital plan. Restricted net position "expendable for scholarships, research, instruction and other" decreased $4.2 million which can be largely attributed to a release of restrictions for Athletics' contributions that are restricted for scholarships and other. Restricted net position "loans" increased $6.5 million primarily related to the continued increase in student loans held by the Unversity and the Medical Center. Restricted net position "expendable for capital projects" increased $22.6 million because of the State's contribution of $25.0 million towards the cost of the Health Education Building during the current fiscal year.

The composition of current and non-current assets and liabilities, deferred outflows, and net position are displayed below for both the 2015 and 2014 fiscal year-ends (in thousands):



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the total revenues earned and expenses incurred by the University for operating, non-operating and other related activities during a period of time. Its purpose is to assess the University's operating results.

Consolidated Statement of Revenues, Expenses, and Change in Net Position
(Dollars in Thousands)

	Fiscal Year Ended June 30, 2015	2014
Operating revenues	$ 825,710	$ 822,722
Operating expenses	(1,171,398)	(1,145,881)
Total operating gain (loss)	(345,688)	(323,159)
Non-operating revenues	344,141	341,852
Non-operating expenses	(22,806)	(27,528)
Net non-operating revenues (expenses)	321,335	314,324
Income (loss) before other revenues, expenses, gains and losses	(24,353)	(8,835)
Other revenues, expenses, gains and losses	95,405	35,849
Increase (decrease) in net position	71,052	27,014
Net position, beginning of year	1,083,147	1,048,267
Restatement of net position - beginning of year	(93,016)	7,866
Net position, end of year	**$ 1,061,183**	**$ 1,083,147**

Revenues

Operating revenues at the University as of June 30, 2015 increased by 0.4% over the previous fiscal year from $822.7 million to $825.7 million. Overall operating revenues are consistent with prior year. The following is a brief summary of the significant changes:

- Revenue from tuition, the largest source of funding for the University, increased a modest 5.6% which was largely because of increases in tuition rates from 2014 to 2015.
- Grants and contracts (Federal, State and Local, and Non-Governmental), the second largest source of revenue at the University, decreased by $7.1 million (2.6%) from $271.8 million in 2014 to $264.7 million in 2015. This decrease is primarily because of decrease in funding from the National Institutes of Health (NIH) and private sources. Federal funding was impacted by federal sequestration plus continuation of flat or decreased funding for the majority of federal agencies.
- Auxiliary enterprises revenue increased $3.7 million (2.2%) from $170.4 million in 2014 to $174.1 million in 2015 driven primarily by increases in Athletics operating revenues of $2.8 million.
- Other operating revenues decreased by $13.2 million from $16.3 million in 2014 to $3.1 million in 2015. This decreased is primarily a result of a prior period adjustment of $4.1 million performed on the 2014 fiscal year information (see note 22) and $6.4 of fluctuations in other revenues associated with the Medical Center and KUCR.

Total non-operating revenues increased $2.3 million (0.7%) from $341.8 million to $344.1 million in 2015. The breakout of non-operating revenues for the year ended June 30, is shown below (in thousands):

	2015	2014
State appropriations	$ 244,734	$ 241,993
Local appropriations	10,954	10,616
Gifts	56,306	50,725
Investment income	885	15,460
Non-operating federal grants and contracts	18,372	17,546
Other nonoperating revenues	12,890	5,512
Total non-operating revenues	**$ 344,141**	**$ 341,852**

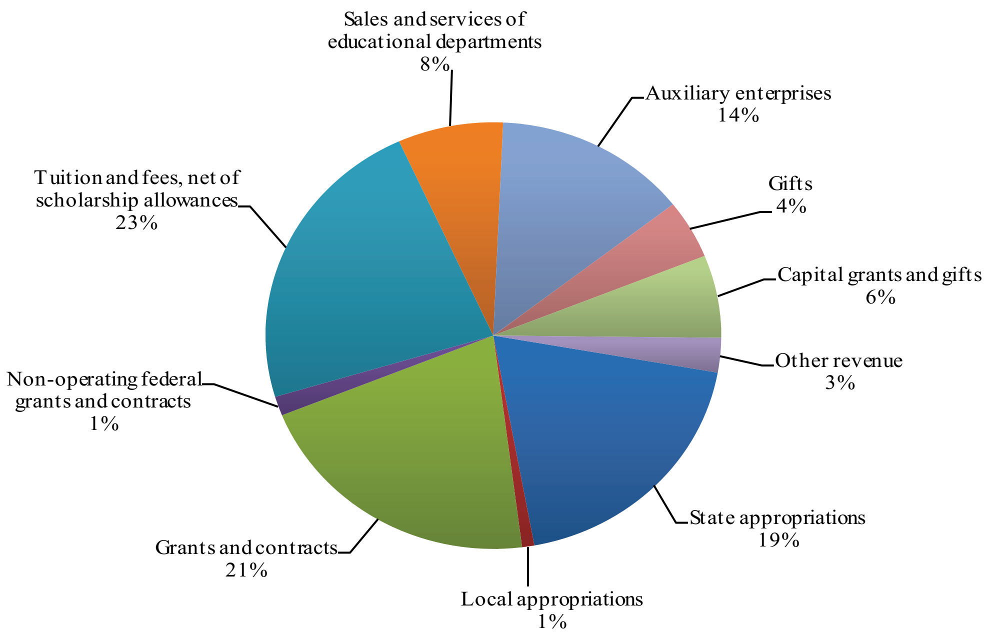
The following is a brief summary of the significant changes:

- State appropriations, the third largest source of revenue at the University, increased $2.7 million (1.1%) from $242.0 million to $244.7 million in 2015. In fiscal year 2015, the University experienced a net of a $4.8 million (2%) allotment reduction in the original state appropriation.
- Investment income decreased $14.6 million from $15.5 million to $.9 million largely because of unrealized losses in investments held by the University and its component units.

Other revenues, expenses, gains and losses include capital appropriations, capital gifts & additions to permanent endowments. Significant changes included the following:

- Capital gifts increased $60.5 million from $18.7 million to $79.2 million. The level of capital gifts varies from year to year based upon funding available for capital projects. The $79.2 million includes $25 million from the State of Kansas to support a portion of the cost of the Health Education Building. The bonds that were sold by the State for this project will be an obligation of the State of Kansas, not the University, and is therefore treated as a gift to the University.

The composition of these revenues is displayed in the following graph:



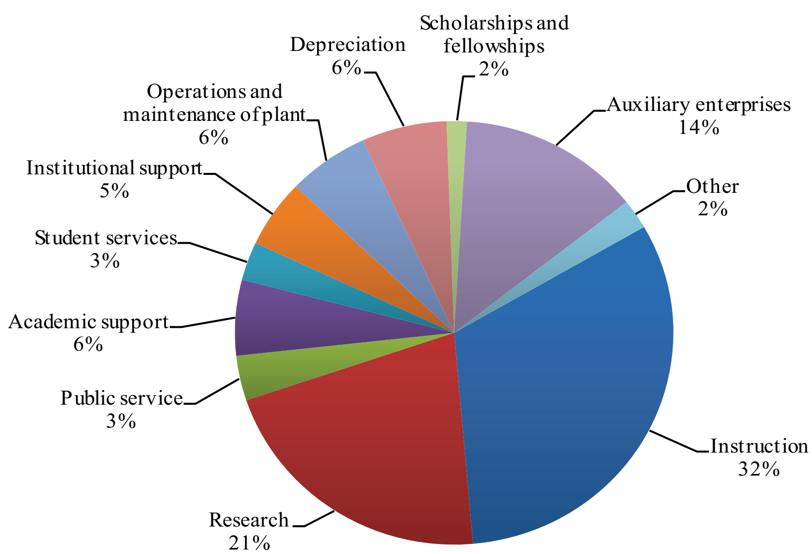
Expenses

Operating expenses were $1,171.4 million for the year ended June 30, 2015, an increase from the prior year of $25.5 million (2.2%) Overall operating expenses were very consistent with prior year. The following is a brief summary of the significant changes:

- Instruction increased $11.4 million (3.1%) from $370.3 million to $381.7 million in 2015. This increase in instruction was attributed to an increase in salaries and benefits for faculty and GTAs across most of the departments during the fiscal year.
- Academic support increased $4.5 million (7.0%) from $64.3 million to $68.9 million in 2015. This increase in academic support was attributed to an increase in salaries and benefits for support staff, and timing of accruals for accounts payable, and an increase in KUMC and KUCR academic support expenses.
- Student services increased $2.3 million (6.9%) from $32.8 million to $35.1 million in 2015. The increase in student services was primarily in the areas of domestic and international student recruitment and is consistent with the university's strategic focus on student recruitment & retention.
- Scholarships and fellowships decreased $3.5 million (16.4%) from $21.3 million to $17.8 million in 2015. This decrease in scholarships & fellowships is primarily associated with the increase in the scholarship allowance taken against tuition and fees, as more internal scholarships were awarded to students to pay for their tuition and fees.
- Auxiliary enterprises expenses increased $15.3 million (10.5%) from $145.4 million to $160.7 million in 2015. This increase is primarily driven by (1) an increase in Athletics salaries & benefits (resulting from a coaching change) and maintenance expenses, and (2) other auxiliary enterprises increased $3.4 million as a result of increases in expenses associated with the University's information technology infrastructure.

Non-operating expenses (including interest expense and other non-operating expenses) decreased $4.7 million (17.2%) from $27.5 million in 2014 to $22.8 million in 2015. Interest expense decreased $3.1 million from $17.5 million to $14.4 million as a result of capitalizing interest related to several construction projects. In addition, other non-operating expenses decreased $1.6 million (15.8%) from $10.0 million to $8.5 million in 2015 because 2014 included expenses related to the cost of issuing bonds, and no bonds were sold in 2015.

The composition of total expenses, including operating and non-operating, is displayed below:



Extraordinary Items

The University did not have any special and/or extraordinary items in 2015 or 2014.

Endowment Expenses Paid On Behalf of University

The Kansas University Endowment Association (KU Endowment), an independent, not-for-profit organization whose primary mission is to raise funds for the University, provides direct and indirect support to the University that is not entirely reflected in the University's Statement of Revenues, Expenses, and Changes in Net Position. Expense items paid on behalf of the University by KU Endowment include expenses such as scholarships and fellowships, salaries, construction, equipment, library acquisitions, works of art, and travel. Total University support provided by KU Endowment for Lawrence and Medical Center campuses equaled approximately $178.8 million and $117.4 million in 2015 and 2014, respectively.

The following support items totaling $78.0 million are reflected in the University's statements for 2015:

- **Capital Projects.** KU Endowment sponsored many capital projects throughout the year at a cost of $38.0 million, an increase of $32.3 million in 2015. The primary capital projects that benefited from KU Endowment's fundraising efforts included continued funding on a new facility for the School of Business on the Lawrence campus ($22.2 million), various other building upgrades and remodeling ($6.4 million), as well as various equipment contributions.

- **Salaries and other operating expenses.** KU Endowment reimbursed the University approximately $40.0 million for various faculty and staff salaries, including the University's distinguished professors, and other operating expenses. The salary expense is reflected in the University's statements as it represents a more accurate reflection of the University's operating expenses. KU Endowment's reimbursement is reflected as a gift to the University within non-operating revenues.

CAPITAL ASSETS

The University made significant investments in capital during the 2015 fiscal year. Detailed information regarding capital asset additions, retirements, and depreciation is available in Note 8 to the financial statements.

The following is a brief summary of the construction projects that were completed during the current fiscal year:

- In June 2015, the University completed construction of the Learned Engineering Expansion Phase II (LEEP 2). The project provided 27,000 square feet of modern instructional space, 18,900 square feet of undergraduate program support space, tutoring and study areas, and a 17,600 square foot student project center for design/build projects. In support of the additional faculty required for the expansion of the instructional program, the expansion also included 37,500 square feet of modern research wet and dry labs and rooms for specialized analytical equipment. Total cost of the project was $53.0 million and was funded with revenue bonds. The revenue bonds will be repaid with $35 million provided by the Legislature through the University Engineering Expansion Act of 2011 and with university resources.
- The University completed the Murphy Hall Swarthout Recital Hall Remodel project in May 2015. The project included new seating, acoustical improvements, as well as upgraded lighting and audio systems of the Swarthout Recital Hall. The total cost of the project was $2.2 million which was funded by private gifts and university resources.
- The Forum at Marvin Hall opened in October 2014. The Forum is a new lecture hall that transformed the existing second floor jury room into a 925 net square feet student commons area. The new commons space offers an area for students to congregate and created a foyer for the lecture hall. The Forum addition provides two lecture/jury spaces - one a tiered seating area for 120 occupants and the other an adjacent flat-floored jury room for smaller groups. The total cost of the project was $2.1 million and was funded by private gifts and university resources.

The University also had several construction projects that were under construction or in design phases at the end of the fiscal year:

- The new 166,000 gross square foot School of Business Capitol Federal Hall is being constructed on Naismith Drive, east of Allen Fieldhouse and at the southern entry to campus. It will provide state-of-the art-facilities to replace the physically and programmatically inadequate spaces in the current building, Summerfield Hall. The new building will include a mix of classroom and lecture spaces, designed for best fit and maximum flexibility for the business teaching methodologies, and encouraging experiential learning. Offices for faculty and support staff, areas dedicated to the business research centers, academic and career advising office suites, public gathering spaces and limited food service areas will all be accommodated. The project is budgeted for $70.5 million and will be funded by private gifts and university funds. Construction is estimated to be completed Spring 2016.
- McCollum Residence Hall is being replaced with two new 350 bed residence halls each containing about 95,000 gross square feet. Oswald and Self Residence Halls are each five stories tall with ten community wings, five floor commons, a building commons, staff support space, two apartments and building support space. In addition, each hall has an Academic Resource Center to support the academic needs of students with current technology, a laundry room, a vending area, and a community kitchen for residents. The project is budgeted for $48.7 million is funded by revenue bonds, that are supported by Housing and Parking revenues. Construction is estimated to be completed July 2015 and the new halls will be open for the Fall 2015 semester. McCollum Residence Hall will be razed after the new construction is complete.
- As the first component of the KU-Lawrence Science Facility Master Plan, the Earth Energy and Environment Center will add approximately 130,000 square footage onto Lindley Hall and will provide a mix of spaces including a state-of-the-art instructional space with 200 seats promoting collaborative learning. Other instructional spaces include Analytical Project lab, a GIS/Remote Sensing Lab, and a Visualization Lab suitable for 3-D images. Research space includes a Pressure/Volume/Testing lab, Experimental Environmental Bio-geo-chemistry lab and Environmental/Paleo Environmental Labs for analytical equipment suitable to assess a variety of geo-chemistry based samples. The project is budgeted for $78.5 million and will be funded by private gifts and revenue bonds. Construction is estimated to be completed Fall 2017.
- The University started to replace the electrical distribution system in Haworth hall. This project will replace an outdated switchgear, medium voltage transformer and feeders, and the electrical distribution system. The project is budgeted for $3.9 million and will be funded by university funds. Construction is estimated to be completed in Fall 2015.
- Opened in 1954, Douthart Hall houses 48 women in a 12 bedroom/study area suite with a strong legacy of involvement in the scholarship hall community and on campus. Student Housing is undertaking an extensive renovation with the work anticipated to include replacement of building mechanical systems and steam heating; air conditioning/cooling air handlers; potable water; building electrical systems which also include lighting and fire alarm systems. Replacement of building plumbing systems, renovation of bathroom and shower areas; and upgrades to finishes, partitions, sinks, countertops and toilet fixtures are included. The renovation also includes the kitchen and related equipment, cabinets and counters; dining and recreation areas; stair and corridor includes ceiling and carpet replacement and painting throughout. The project is budgeted for $1.5 million and will be funded by private gifts. Construction is estimated to be completed in Fall 2015.
- Grace Pearson is a three-story brick building opened in fall 1955 as a women's hall, but in fall 1960 it became a men's hall which now houses 48 men in four-person suites. Student Housing is undertaking an extensive renovation with the work anticipated to include replacement of building mechanical systems and steam heating; air conditioning /cooling air handlers; potable water; building electrical systems which also includes lighting and fire alarm systems. Replacement of building plumbing systems, renovation of bathroom and shower areas; and upgrades to finishes are included. The renovation also includes the kitchen and related equipment, cabinets and counters, and upgrades to the dining and recreation areas. Stair and corridor improvements include ceiling and carpet replacement and painting throughout. The project is budgeted for $1.5 million and will be funded with university housing resources. Construction is estimated to be completed in Fall 2015.

- The Film and Media Studies program is currently housed in a facility off-campus that no longer meets departmental needs. Space will be available in Summerfield Hall when the new School of Business Capitol Federal Hall is occupied, providing space for Film and Media Studies to relocate to the main campus, share educational resources, and provide improved access for faculty and students. The project includes construction of a sound stage with a cyclorama and light grid, a control room, green rooms, dressing rooms, support spaces for equipment and shop, and associated offices and labs for various professors and other educational support. The project is budgeted for $3.7 million and will be funded with private gifts and university resources. Construction is estimated to be completed in Summer 2017.

- Summerfield Hall HVAC & Electrical Improvements design started in 2014 and will install new heating-ventilating-and-air-conditioning and electrical equipment. The project is budgeted for $4.8 million and will be funded with university resources. Construction is estimated to be completed Spring 2016.

- Summer infrastructure projects focused on work at 14th Street and Jayhawk Boulevard, part of the third phase of the Jayhawk Boulevard reconstruction project, and reconstruction of 15th street between Burdick Drive and Naismith. The projects are budgeted for $5.7 million and will be funded with university resources. Construction is estimated to be completed Fall 2015.

- Marie S. McCarthy Hall is a student apartment building comprised of 2 and 4 bedroom apartment units. The building has a total of 34 beds along with a resident director apartment, guest apartment and show room. Other amenities in the building include a theatre, multipurpose room with full kitchen, a basketball court and a resident lounge. The project is budgeted for $11.9 million and will be funded with private gifts Construction is estimated to be completed Fall 2015.

- DeBruce Center is a new building that will display Dr. James Naismith's original "Rules of Basket Ball" and will provide dining and meeting areas. The project is budgeted for $21.3 million and will be funded with private gifts. Construction is estimated to be completed January 2016.

- Watkins Memorial Health Center began the installation of its new heating-ventilating-and-air-conditioning and electrical equipment. The project is budgeted for $4.5 million and will be funded with university resources. Construction is estimated to be completed Fall 2015.

- Construction has begun on the Health Education Building. The building will be located at the northeast corner of 39th and Rainbow on the Medical Center campus. The multidisciplinary health education facility will consolidate facilities for the Schools of Medicine, Nursing, and Health Professions programs that are currently spread throughout campus in various buildings. This new building will serve as the primary teaching facility for the KU Schools of Medicine, Nursing & Health Professions and is intended to address critical healthcare worker shortages in Kansas. The estimated cost of the new building is $75.0 million with $1 million from the Educational Building fund, $25 million from State backed bonds, $25 million from a private gift and the remainder from university revenue bonds. The current goal for completion is June 2017.

- The construction of Parking Garage No. 5 at the KU Medical Center (KUMC) is planned at a cost of $39.6 million. The garage will be located on the block north of 38th between Cambridge and Eaton. The estimated capacity is 2,132 spaces and will serve both employees and patients/visitors. The garage will accommodate the expanding parking needs of KUMC and KU Hospital, primarily because of the loss of the parking lot where the new Health Education Building will be located and for the additional demand created by the construction of the new hospital building. The project will be funded from a variety of sources including Parking funds and university revenue bonds that are supported by parking revenues. Construction is estimated to begin in the Spring 2016 with completion in July 2017. The July 2017 estimated completion date coincides with the Hospital's plan to complete construction of its new hospital facility.

- Near the end of the fiscal year, the University issued a request for proposals for a $325 million Public Private Partnership that would develop several projects in the Central District of the Lawrence campus. The projects will include a new Integrated Sciences Building, new residence hall and dining center, new student apartments, new student union, parking, central utility plant and other site improvements.

DEBT ADMINISTRATION

At June 30, 2015, the University and its affiliated corporations had $430.1 million in revenue bond debt outstanding, and $18.4 million in Capital Leases and Notes Payable. In Fiscal Year 2015, the University did not issue any new debt.

At June 30, 2014, the University and its affiliated corporations had $451.9 million in revenue bond debt outstanding, and $24.3 million in Capital Leases and Notes Payable. In Fiscal Year 2014, the University had five bond sales to provide $121.5 million for new construction and $64.4 to refinance outstanding bonds as shown below:

- $74.4 million to finance the School of Engineering capital expansion project on the Lawrence campus.
- $2.4 million to finance an energy conservation project at the Medical Center.
- $44.7 million to finance a new residence hall project on the Lawrence campus.
- $10.1 million to refinance a portion of the balance of Kansas Development Finance Authority (KDFA) Series 2005E-1 bonds.
- $1.3 million to refinance a portion of the balance of KDFA Series 2005E-2 bonds.
- $3.0 million to refinance the balance of KDFA Series 2003J-1 bonds.
- $39.4 million to refinance the balance of KDFA Series 2004K and 2008C bonds for Kansas Athletics, Inc.
- $10.6 million to refinance a portion of the balance of the KDFA Series 2006G bonds for the University of Kansas Center for Research, Inc.

In Fiscal Year 2015, the University and its affiliated corporations paid $42.2 million in principal and interest payments related to all outstanding capital debt and capital leases.

As of June 30, 2015, Moody's Investor Service assigned an overall rating of Aa2 with a stable outlook to the University. On September 3, 2015, Standard and Poor's reaffirmed the University's rating of AA, but with a negative outlook. More detailed information about the University's revenue bonds is available in Notes 10 and 11 to the financial statements.

ECONOMIC OUTLOOK

The 2015 Legislature adopted a biennial budget for fiscal years 2016 and 2017. Funding for fiscal year 2016 is budgeted at $246.7 million for state general fund appropriations which reflects a 0.8% increase from fiscal year 2015, as well as $11.1 million for capital appropriations which reflects a 17.1% reduction from fiscal year 2015. Fiscal year 2017 state appropriations are currently budgeted to be $253.7 million or about 2.8% more than fiscal year 2016 to account for the cost of an additional pay period in fiscal year 2017.

For fiscal year 2016, the Legislature imposed a cap on tuition increases for fiscal years 2016 and 2017 in exchange for not reducing the University's base state general fund appropriations. The cap is set at 2% above the CPI and, for fiscal year 2016 was calculated at 3.6%. Because of the University's Tuition Compact, which provides first-time freshmen a fixed rate of tuition for four years, 65% of returning University undergraduates did not have a tuition increase. The additional revenue from the tuition increase was to cover Lawrence and Edwards campuses required cost increases, enhance the educational experience of students and to retain staff, and, at the Medical Center additional revenue will be used to acquire additional student communication software, substantially increase its clinical teaching capabilities by acquiring simulated clinical procedures hardware and software, and cover increased campus electricity costs. Tuition rates for fiscal year 2017 will be considered by the Board of Regents in its May 2016 meeting with final action in June 2016.

As of November 2015, State revenue collections have not met budgeted revenue estimates. This decrease in revenue collections has raised questions about future state appropriations. The University's executive leadership team recognizes the potential impact of state appropriation reductions and has begun to initiate high level discussion on how the University may respond if future state appropriations are reduced.

The University continues to be focused on its five-year strategic plan known as *Bold Aspirations*. *Bold Aspirations* represents the University's highest priorities for 2012-17 and guides budget priorities. Six broad goals include undergraduate education, doctoral education, research, broad scholarly engagement, faculty and staff performance, and stewardship of fiscal and physical resources. In alignment with the strategic plan, the University is also engaged in a thorough review and realignment of business practices, known as *Changing for Excellence*. Administrative savings generated by *Changing for Excellence* are being invested in *Bold Aspirations*.

The strategic plan at the Medical Center was implemented in 2011 and reviewed in 2013. The goal to provide leadership to shape the future of health and health care was enhanced by simplifying the strategic map to encompass the broad areas of education, discovery, healing, engagement and innovation. The simplified plan is more accessible and relevant to every member of the faculty and staff and the work they do.

During the fall 2015 semester 28,091 students enrolled at KU. This was an increase of 108 students from fall 2014. A key focus of *Bold Aspirations* is increased undergraduate enrollment, increased student retention, and increased graduation rates for undergraduates. Another key focus is the recruitment of international students. In March of 2014, the University announced the KU Academic Accelerator Program (KUAAP), a distinctive first-year experience for international students with good English skills. This exciting new program is a partnership between the University of Kansas and Shorelight Education, a Boston-based higher education company with expertise in global recruiting and international student services. In 2015, more than 2,400 international students from 99 countries attended the University, comprising 8.8% of KU's total enrollment. The goal of KUAAP is to eventually double the international student population and make the University a truly international research university. Internationalizing the University enhances the diversity of our learning environment and prepares all of our students for success in a global economy. This effort will not in any way diminish the University's capacity to accept Kansas students who choose to come to the University. In regard to the management of tuition funds, assessments and collections of tuition are monitored on an ongoing basis to ensure that the current year budget reflects a realistic estimate of tuition revenue.

Additionally, the University continues to focus on federal, state and privately sponsored research opportunities. Similar to other research institutions heavily reliant upon federal funding, the University is anticipating a decrease in direct and indirect research expenses in fiscal year 2016 and beyond. One significant highlight that will have an impact on the future is the KU Cancer Center achieving National Cancer Institute designation in July 2012. The NCI designation is the highest recognition for an academic cancer center. Achieving this designation is expected to create opportunities to expand research funding, generate more jobs, and, most importantly, provide the most advanced cancer care to patients, closer to home.

The University is not aware of any additional facts, decisions, or conditions that are expected to have significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

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Financial Statements

The University Of Kansas
Statement Of Net Position
As Of June 30, 2015 and 2014

	2015	Restated 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 229,964,811	$ 221,156,694
Restricted cash and cash equivalents	22,774,877	99,004,013
Investments	66,683,966	68,204,764
Accounts receivable, net	77,223,574	89,057,388
Pledges receivable, net	16,235,870	13,952,030
Loans to students, net	3,567,138	2,841,931
Inventories	7,351,537	6,932,865
Other assets	2,974,681	2,919,451
Total current assets	426,776,454	504,069,136
Non-current assets:		
Restricted cash and cash equivalents	38,450,634	16,565,452
Accounts receivable, net	838,143	2,887,556
Pledges receivable, net	7,052,925	6,821,945
Endowment investments	83,333,033	83,001,487
Other investments	47,019,557	45,260,833
Loans to students, net	27,162,494	24,326,294
Other assets	993,327	987,993
Capital assets, net	1,188,552,352	1,099,500,285
Total non-current assets	1,393,402,465	1,279,351,845
Total assets	1,820,178,919	1,783,420,981
DEFERRED OUTFLOWS		
Unamortized loss on bond refunding	3,991,493	3,672,836
Deferred pension expense	6,784,219	-
Total deferred outflows	10,775,712	3,672,836

The University Of Kansas

Statement Of Net Position

As Of June 30, 2015 and 2014

(Continued)

	2015	Restated 2014
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	**72,740,284**	76,285,219
Unearned revenue	**52,825,798**	52,802,137
Deposits held in custody for others	**7,977,375**	7,780,320
Accrued compensated absences – current portion	**31,334,424**	34,832,631
Capital leases payable - current portion	**2,393,380**	2,304,283
Notes payable – current portion	**1,369,694**	2,584,886
Revenue bonds payable - current portion	**25,442,170**	21,780,206
Other liabilities	**1,201,622**	1,414,666
Total current liabilities	**195,284,747**	199,784,348
Non-current liabilities:		
Accrued compensated absences	**6,708,501**	8,921,377
Accrued other post-employment benefits	**32,223,000**	29,318,000
Accrued pension liability	**78,883,056**	-
Capital leases payable	**10,459,705**	12,689,670
Notes payable	**4,186,994**	6,722,131
Revenue bonds payable	**404,706,024**	430,148,194
Other long-term liabilities	**18,543,930**	16,363,454
Total non-current liabilities	**555,711,210**	504,162,826
Total liabilities	**750,995,957**	703,947,174
DEFERRED INFLOWS		
Deferred pension expense	**18,775,862**	-
NET POSITION		
Net investment in capital assets	**749,549,853**	722,844,933
Restricted for:		
Nonexpendable	**62,422,857**	61,432,498
Expendable:		
Scholarships, research, instruction and other	**46,830,013**	51,023,341
Loans	**32,289,592**	25,817,409
Capital projects	**51,722,677**	29,151,996
Debt service	**11,420,130**	11,213,940
Unrestricted	**106,947,690**	181,662,526
Total net position	**$ 1,061,182,812**	$ 1,083,146,643

See accompanying notes to financial statements.

Kansas University Endowment Association

Consolidated Statement Of Financial Position

As Of June 30, 2015 and 2014

	2015	2014
	(In Thousands)	
Assets		
Cash and Cash Equivalents	**$ 5,678**	$ 5,567
Receivables:		
Receivables from investment activities	**877**	450
Other receivables	**1,593**	1,582
Student loans receivable, less allowance of $1,574 and $1,565 in 2015 and 2014, respectively	**22,271**	22,097
Contributions pledged, less allowance of $1,786 and $1,091 in 2015 and 2014, respectively	**111,485**	111,793
Real estate loans receivable	**8,864**	8,785
Total receivables	**145,090**	144,707
Investments:		
Securities	**1,609,660**	1,579,436
Trusts Held by others	**42,469**	43,718
Interest in other KU Endowment entities	**3,783**	3,579
Real Estate	**13,119**	13,676
Total investments	**1,669,031**	1,640,409
Property and facilities:		
Land	**14,513**	12,681
Buildings	**29,198**	27,605
Equipment and furnishings	**3,650**	3,310
	47,361	43,596
Less accumulated depreciation	**11,749**	10,087
Net property and facilities	**35,612**	33,509
Deposits and other assets	**5,841**	5,856
Total assets	**$ 1,861,252**	$ 1,830,048

Kansas University Endowment Association

Consolidated Statement Of Financial Position

As Of June 30, 2015 and 2014

(Continued)

	2015	2014
	(In Thousands)	
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 28,299**	$ 14,361
Payables from investment activities	**853**	172
Life income gift payables	**19,403**	21,081
Agency funds	**69,339**	68,890
Total liabilities	**117,894**	104,504
Net assets:		
Unrestricted	**176,743**	191,757
Temporarily restricted	**1,135,555**	1,105,509
Permanently restricted	**431,060**	428,278
Total net assets	**1,743,358**	1,725,544
Total liabilities and net assets	**$ 1,861,252**	$ 1,830,048

The University Of Kansas
Statement Of Revenues, Expenses, And Changes In Net Position
For The Years Ended June 30, 2015 and 2014

	2015	Restated 2014
OPERATING REVENUES		
Tuition and fees (net of scholarship allowances of $29,287,861 in 2015 and $26,293,984 in 2014)	**$ 289,104,231**	$ 273,856,114
Federal grants and contracts	**154,004,942**	177,658,566
State and local grants and contracts	**39,650,105**	37,569,539
Nongovernmental grants and contracts	**71,067,806**	56,615,120
Sales and services of educational departments	**68,415,723**	66,204,076
Sales and services of medical and administrative activities	**26,234,463**	24,129,468
Auxiliary enterprises:		
Housing	**25,044,309**	24,575,542
Athletics	**87,143,291**	84,266,581
Parking and transit	**13,207,675**	13,292,424
Student unions	**34,953,071**	35,853,962
University health services	**9,710,500**	8,758,899
Other auxiliary enterprises	**4,087,648**	3,659,806
Other operating revenues	**3,086,097**	16,281,458
Total operating revenues	**825,709,861**	822,721,555
OPERATING EXPENSES		
Instruction	**381,687,122**	370,270,830
Research	**253,325,059**	257,359,106
Public service	**40,917,387**	39,984,701
Academic support	**68,858,262**	64,323,942
Student services	**35,066,271**	32,788,216
Institutional support	**61,706,992**	63,095,155
Operations and maintenance of plant	**72,222,245**	72,685,628
Depreciation	**74,803,755**	72,857,091
Scholarships and fellowships	**17,794,347**	21,292,935
Auxiliary enterprises:		
Housing	**17,537,324**	16,112,561
Athletics	**88,775,502**	78,136,950
Parking and transit	**6,550,181**	6,780,915
Student unions	**32,852,498**	33,415,187
University health services	**8,299,788**	7,679,758
Other auxiliary enterprises	**6,670,938**	3,247,700
Other operating expenses	**4,329,987**	5,849,932
Total operating expenses	**1,171,397,658**	1,145,880,607
Total operating income (loss)	**(345,687,797)**	(323,159,052)

THE UNIVERSITY OF KANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

(CONTINUED)

	2015	Restated 2014
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	**244,734,520**	241,993,124
Local appropriations	**10,954,000**	10,615,600
Gifts	**56,306,031**	50,725,239
Investment income	**884,599**	15,460,092
Federal grants and contracts	**18,372,039**	17,545,875
Other non-operating revenues	**12,890,353**	5,511,900
Interest expense	**(14,350,653)**	(17,490,808)
Other non-operating expenses	**(8,455,337)**	(10,037,564)
Net non-operating revenues (expenses)	**321,335,552**	314,323,458
Income (loss) before other revenues, expenses, gains or losses	**(24,352,245)**	(8,835,594)
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Capital appropriations	**13,342,000**	16,947,615
Capital grants and gifts	**79,233,423**	18,652,963
Additions to permanent endowments	**2,829,345**	248,830
Total other revenues, expenses, gains or losses	**95,404,768**	35,849,408
Increase (decrease) in net position	**71,052,523**	27,013,814
NET POSITION		
Net position - beginning of year	**1,083,146,643**	1,048,267,132
Restatement of net position - beginning of year	**(93,016,354)**	7,865,697
Net position - end of year	**$ 1,061,182,812**	$ 1,083,146,643

See accompanying notes to financial statements.

Kansas University Endowment Association
Consolidated Statements Of Activities
For The Years Ended June 30, 2015 and 2014

	Year Ended June 30, 2015				Summarized Financial Information for the Year Ended June 30, 2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
			(In Thousands)		
Revenues, gains (losses), and other support:					
Fundraising:					
Contributions and grants received and pledged	**$ 1,161**	**$ 131,704**	**$ 2,296**	**$ 135,161**	$ 169,448
Bequests	**487**	**58,361**	**895**	**59,743**	20,852
Life income gifts	**-**	**197**	**43**	**240**	1,052
Change in value of life income gifts	**(61)**	**1,167**	**1,347**	**2,453**	1,635
Change in net interest in KU Endowment Entities	**-**	**33**	**-**	**33**	80
Total fundrainsing	**1,587**	**191,462**	**4,581**	**197,630**	193,067
Income from asset holdings:					
Investment income	**6,653**	**14,186**	**-**	**20,839**	14,539
Realized and unrealized gain (loss) on investments and trusts held by others	**7,257**	**(17,267)**	**(1,227)**	**(11,237)**	188,716
Loan interest income	**216**	**1,052**	**-**	**1,268**	1,242
Agricultural and mineral income	**2,013**	**1,731**	**-**	**3,744**	2,343
Rental, gain on sale of assets and other income	**5,633**	**435**	**-**	**6,068**	1,233
Total income (loss) from asset holdings	**21,772**	**137**	**(1,227)**	**20,682**	208,073
Other receipts	**12,682**	**3,877**	**-**	**16,559**	2,020
Net assets released from restrictions:					
Satisfaction of program restrictions	**164,609**	**(164,609)**	**-**	**-**	-
Total revenues, gains and other support	**200,650**	**30,867**	**3,354**	**234,871**	403,160

Kansas University Endowment Association
Consolidated Statements Of Activities
For The Years Ended June 30, 2015 and 2014
(Continued)

	Year Ended June 30, 2015				Summarized Financial Information for the Year Ended June 30, 2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
			(In Thousands)		
Expenses:					
University support:					
Student support	$ 30,353	$ -	$ -	$ 30,353	$ 30,780
Faculty support and contractual services	36,053	-	-	36,053	32,635
Construction, furnishings, equipment and supplies	70,585	-	-	70,585	17,578
Program and other educational support	47,571	-	-	47,571	43,107
Total University support	184,562	-	-	184,562	124,100
Supporting services:					
Administrative and fundraising support	19,412	-	-	19,412	18,902
Asset management expense	8,342	-	-	8,342	727
Depreciation	1,372	-	-	1,372	1,141
Total supporting services	29,126	-	-	29,126	20,770
Total expenses	213,688	-	-	213,688	144,870
Excess of revenues over expenses	(13,038)	30,867	3,354	21,183	258,290
Net interfund transfers	1,393	(821)	(572)	-	-
Change in net assets before amortization of pension adjustment	(11,645)	30,046	2,782	21,183	258,290
Net actuarial loss related to pension plan	(3,369)	-	-	(3,369)	464
Change in net assets	(15,014)	30,046	2,782	17,814	258,754
Net assets at beginning of year	191,757	1,105,509	428,278	1,725,544	1,466,790
Net assets at end of year	$ 176,743	$ 1,135,555	$ 431,060	$ 1,743,358	$ 1,725,544

THE UNIVERSITY OF KANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	Restated 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	**$ 295,216,369**	$ 276,182,077
Sales and services of educational activities	**81,130,152**	67,235,756
Sales and services of medical and administrative activities	**26,234,463**	24,129,468
Auxiliary enterprises:		
Housing	**7,484,632**	7,611,660
Athletics	**483,023**	5,986,108
Parking and transit	**9,761,572**	8,635,211
Student unions	**1,441,846**	(2,180,225)
University health services	**1,004,509**	1,178,342
Other auxiliary enterprises	**(2,460,254)**	1,443,287
Grants and contracts	**260,577,876**	274,226,389
Payments to suppliers	**(198,501,994)**	(200,229,235)
Payments to utilities	**(24,316,555)**	(21,683,280)
Compensation and benefits	**(707,198,764)**	(683,132,513)
Payments for scholarships and fellowships	**(15,520,792)**	(21,292,935)
Loans issued to students and employees	**(10,478,090)**	(4,568,181)
Collection of loans to students	**4,915,070**	5,390,891
Other receipts	**8,615,524**	16,937,715
Net cash used in operating activities	**(261,611,413)**	(244,129,465)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	**240,021,577**	241,886,852
Local appropriations	**11,270,412**	10,615,600
Gifts	**59,143,083**	52,352,143
Agency transactions	**(71,350)**	31,427
Federal education loan receipts	**149,069,963**	141,270,721
Federal education loan disbursements	**(147,960,807)**	(141,687,485)
Non-operating grants and contracts	**18,372,039**	17,145,875
Other	**2,782,274**	(1,318,718)
Net cash provided by non-capital financing activities	**332,627,191**	320,296,415
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from revenue bond defeasance	**-**	65,765,000
Proceeds from capital debt	**500,000**	131,784,423
Capital appropriations	**11,880,128**	13,844,050
Capital grants and gifts	**31,287,940**	13,896,790
Purchases of capital assets	**(133,216,944)**	(76,132,715)
Proceeds from sale of capital assets	**11,629,878**	984,959
Principal paid by revenue bond defeasance	**-**	(68,056,591)
Principal paid on capital debt and leases	**(24,389,817)**	(25,216,395)
Interest paid on capital debt and leases	**(17,830,961)**	(17,715,628)
Other	**4,671,618**	(4,835,656)
Net cash provided by (used in) capital financing activities	**(115,468,158)**	34,318,237

The University Of Kansas
Statement Of Cash Flows
For The Years Ended June 30, 2015 and 2014

(Continued)

	2015	Restated 2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	**83,934,825**	57,915,794
Interest on investments	**4,449,217**	5,912,780
Purchase of investments	**(89,467,499)**	(71,452,628)
Net cash provided by (used in) investing activities	**(1,083,457)**	(7,624,054)
Net increase (decrease) in cash	**(45,535,837)**	102,861,133
Cash - beginning of the year	**336,726,159**	233,865,026
Cash - end of year	**$ 291,190,322**	$ 336,726,159
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	**$ (345,687,797)**	$ (323,159,052)
Adjustments to reconcile operating loss to net cash provided/(used) by operating activities:		
Non-cash revenue	**-**	(2,243,255)
Depreciation expense	**74,803,755**	72,857,091
Changes in assets and liabilities:		
Accounts receivables, net	**9,209,021**	(6,478,293)
Pledges receivable, net	**(1,108,212)**	47,856
Loans to students, net	**(3,561,407)**	3,447,780
Inventories	**(418,672)**	1,242,878
Prepaid expenses and other assets	**(312,958)**	(4,811,054)
Other assets	**46,475**	-
Accounts payable and accrued liabilities	**10,074,054**	(4,230,987)
Deferred revenue	**23,661**	(2,128,766)
Accrued compensated absences	**(5,711,083)**	10,816,154
Accrued other post-employment benefits	**2,905,000**	3,571,000
Accrued pension liability	**(2,141,655)**	-
Deposits held for by others	**268,405**	6,939,183
Net cash provided used in operating activities:	**$ (261,611,413)**	$ (244,129,465)
Non-cash Investing, Capital and Financing Activities:		
Gifts-in-kind	**$ 47,945,483**	$ 13,589,445
Net change in unrealized gains and losses	**$ (3,336,752)**	$ (1,018,489)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). These financial statements have not been audited.

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Organization. The University of Kansas (the "University") is a comprehensive institution providing undergraduate, graduate, and professional education in a variety of academic programs. The University is a Public Doctoral/Research University - Extensive and is accredited by the North Central Association of Colleges and Schools. The University is governed by the Kansas Board of Regents and is an agency of the State of Kansas. As an agency of the State of Kansas, the University is included in the audited financial report of the State of Kansas.

The University conducts education, research, public service, and related activities at: the main campus in Lawrence, Kansas, the Edwards Campus in Overland Park, Kansas, and the Medical Center campuses in Kansas City, Kansas, Salina, Kansas, and Wichita, Kansas.

For fall 2015, the Lawrence and Edwards's campuses had an undergraduate enrollment of 18,715 and a graduate/first professional enrollment of 5,993. The Medical Center had an undergraduate enrollment of 509 and a graduate/first professional (including medical residents, fellows and trainees) enrollment of 2,874. Enrollment at all campuses was 28,091 students.

Financial Reporting Entity. As required by accounting principles generally accepted in the United States of America, these financial statements present the combined financial position and financial activities of all of the University's campuses and the following blended component units for which the University is financially accountable: the University of Kansas Center for Research, Inc. (KUCR), Kansas Athletics, Inc. (Athletics), the University of Kansas Memorial Corporation (KU Unions), the University of Kansas Medical Center Research Institute Inc. (KUMCRI), the Student Union Corporation of the University of Kansas Medical Center, and Kansas University Health Partners, Inc.

The Kansas University Endowment Association (KU Endowment) is considered a component unit of the University according to the criteria in GASB Statement No. 61, and is discretely presented in the University's financial statements. KU Endowment, a nonprofit organization, serves as the official fundraising and fund-management foundation for the University. KU Endowment partners with donors in providing philanthropic support to build a greater university. KU Endowment follows generally accepted accounting principles under the Financial Accounting Standards Board (FASB) and utilizes the full accrual basis of account. Additional details regarding KU Endowment are available in Note 21.

The financial activity and balances of Studio 804, Inc., the Kansas University Alumni Association, the KU Medical School Alumni Association, Kansas University Physicians, Inc. and the University of Kansas Hospital Authority are not included in the financial statements of the University as they are legally separate entities and do not meet the requirements of GASB Statement No. 61 to be included.

In preparing the financial statements, all significant transactions and balances between campuses and blended component units have been eliminated to avoid overstatement of 1) revenues and expenses on the Statement of Revenues, Expenses, and Changes in Net Position, and 2) balances on the Statement of Net Position.

Basis of Accounting. For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash Equivalents. For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At certain times, some of the University's component units maintain cash balances in excess of FDIC limits. Management has evaluated the financial stability of these financial institutions and feels the risk to the component units is minimal.

Investments. The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable. Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories. Inventories are carried at cost.

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost $5,000 or more, and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if the related project cost exceeds $100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 25 years for land improvements, 8 years for non-IT equipment, 5 years for vehicles, and 3 years for IT equipment. Depreciation for buildings and infrastructure is computed using a componentized building and infrastructure depreciation study. Note – The estimated useful lives used by the blended component units for equipment, building improvements and buildings, ranging from 3 to 40 years, vary slightly from the University's policy. The financial impact of the variation is considered to be immaterial to the financials statements as a whole.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University capitalized $2,679,488 in interest during the year ended June 30, 2015, and did not capitalize any interest during the year ended June 30, 2014.

Unearned Revenues. Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include summer school tuition not earned during the current year and amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences. Employee unused vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as an expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Deposits Held In Custody for Others. Deposits held in custody for others consist primarily of student organizations' money administered by the University.

Non-current Liabilities. Non-current liabilities include principal amounts of notes and revenue bonds payable; capital lease obligations with contractual maturities greater than one year; and estimated amounts for accrued compensated absences, accrued other postemployment benefits and accrued pension obligations that will not be paid within the next fiscal year.

Pensions. For the year ended June 30, 2015, the University implemented the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows/Outflows. In accordance with GASB Statement No. 63, deferred outflows and deferred inflows result from the consumption or acquisition of net position in one period that is applicable to future periods. These items are reported separately from assets and liabilities.

Net Position. The University's net position is classified as follows:

Net investment in capital assets: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of "net investment in capital assets."

Restricted net position – non-expendable: Restricted non-expendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net position – expendable: Restricted expendable net position include resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the University to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Tax Status. As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

Classification of Revenues. The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as: 1) student tuition and fees, net of scholarship discounts and allowances, 2) sales and services of auxiliary enterprises, 3) most federal, state, and local grants and contracts, and 4) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or non-governmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Contributions. Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received.

Reclassifications. Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation.

NOTE 2 – DEPOSITS

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown below are included in the Statement of Net Position as of June 30:

	2015	2014
Carrying value:		
Deposits	**$ 284,091,959**	$ 321,292,332
Investments	**204,134,919**	211,900,911
	$ 488,226,878	$ 533,193,243

The amounts above are included in the following line items of the Statement of Net Position:

	2015	2014
Cash and cash equivalents	**$ 229,964,811**	$ 221,156,694
Restricted cash and cash equivalents	**22,774,877**	99,004,013
Investments	**66,683,966**	68,204,764
Restricted cash and cash equivalents (non-current)	**38,450,634**	16,565,452
Endowment investments (non-current)	**83,333,033**	83,001,487
Other investments (non-current)	**47,019,557**	45,260,833
	$ 488,226,878	$ 533,193,243

The University carried the following deposits as of June 30:

Deposit Type	**2015 Fair Value**	2014 Fair Value
Cash deposits with State Treasury	**$ 227,446,678**	$ 283,625,238
Cash deposits with financial institutions	**56,028,379**	32,305,980
Certificates of deposit	**616,902**	621,344
Money market funds	**-**	4,739,770
	$ 284,091,959	$ 321,292,332

The deposits reflected above were held by the following entities as of June 30:

	2015	2014
KU Lawrence and Edwards Campuses	**$ 154,100,019**	$ 244,142,675
Kansas Athletics, Inc.	**5,468,025**	5,893,512
KU Center for Research, Inc.	**2,658,379**	2,378,947
KU Memorial Corporation	**20,662,666**	2,687,859
KU Medical Center	**90,695,564**	54,054,792
KU Medical Center Research Institute	**9,391,824**	11,039,479
Student Union Corporation of KUMC	**708,592**	811,214
Kansas University Health Partners, Inc.	**406,890**	283,854
	$ 284,091,959	$ 321,292,332

State law requires the University (Lawrence Campus, Edwards Campus, and the Medical Center campuses - in Kansas City, Salina and Wichita) to deposit the majority of its cash balances with the State Treasurer, who holds and invests the funds. The exceptions to this law are any funds maintained in the University's imprest fund, organizational safekeeping, revenue bond project and reserve funds, and any funds held by external entities on behalf of the University.

Cash balances maintained by the State Treasurer are pooled and are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by the Pooled Money Investment Board (PMIB) and are reported at fair value, based on quoted market prices.

The majority of University deposit balances not maintained by the State Treasurer are covered by FDIC or collateralized. The University does not have a formal deposit policy regarding custodial credit risk. However, management has evaluated the financial stability of the financial institutions involved and believes the custodial credit risk is minimal.

NOTE 3 - INVESTMENTS

The University carried the following investments as of June 30:

Investment Type	**2015 Fair Value**	2014 Fair Value
US Treasury obligations	**$ 13,913,567**	$ 8,278,520
US Agency obligations	**22,974,550**	31,158,576
Corporate bonds	**3,910,768**	3,371,044
Foreign bonds	**91,662**	109,658
Domestic stock	**4,588,472**	3,864,994
Foreign stock	**681,291**	2,334,908
Hedge Funds	**-**	2,953,780
Mutual funds	**18,315,144**	11,020,687
Exchange traded funds	**1,853,648**	-
Limited liability companies	**439,074**	376,835
Other	**38,400,500**	33,668,477
Repurchase agreements	**101,000**	11,417,684
Guaranteed investment contracts	**1,419,475**	2,986,374
External investment pools		
KUEA Short-term Investment Program	**7,176,617**	9,061,338
KUEA Long-term Investment Program	**90,269,151**	91,298,036
	$ 204,134,919	$ 211,900,911

The investments reflected above were held by the following entities as of June 30:

	2015	2014
KU Lawrence and Edwards Campuses	**$ 59,968,296**	$ 62,736,427
Kansas Athletics, Inc.	**50,512,198**	50,854,717
KU Center for Research, Inc.	**44,166,790**	50,328,089
KU Memorial Corporation	**78,254**	75,652
KU Medical Center	**5,476,826**	5,732,565
KU Medical Center Research Institute	**43,932,555**	42,173,461
	$ 204,134,919	$ 211,900,911

INVESTMENT POLICY

State statutes govern the University's investment policies. For investments related to the University's revenue bonds, state statutes authorize cash balances to be invested as permitted by bond documents and bond covenants. The Kansas Development Finance Authority (KDFA) manages the University's revenue bond investments. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

State statutes also govern the investment policies of the PMIB. The primary objectives are to attain safety, liquidity, and yield. Allowable investments for State pooled moneys not held in Kansas financial institutions are as follows:

- Direct obligations of, or obligations that are insured as to principal and interest by, the U.S. Government or any direct agency thereof, with maturities up to four years
- Obligations and securities of United States sponsored enterprises that under federal law may be accepted as security for public funds. Moneys available for investments shall not be invested in mortgage-backed securities of such enterprises, which include the Government National Mortgage Association
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Interfund loans to various State agencies as mandated by the Kansas Legislature limited to not more than the lesser of 10 percent or $80,000,000 of total investments
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed $55,000,000
- High grade commercial paper

The Finance Committee of the KU Endowment Board of Trustees oversees investments in the KU Endowment's investment programs. The Finance Committee develops guidelines and procedures for investment programs, in accordance with the policies established by the Executive Committee.

The KU Endowment Short-term Investment Program is designed for short-term, highly liquid investing needs. KU Endowment invests the idle cash balances in individual fund accounts by pooling them into a short-term investment program to produce a net investment yield. The total investment yield, less distributions of earnings to certain accounts, is retained by KU Endowment and is allocated to the unrestricted net asset classification to defray administrative costs.

The KU Endowment Long-term Investment Program is designed for investing endowed funds and other types of funds with similar long-term objectives. These funds are collectively invested in a diversified long-term portfolio that is professionally managed by firms chosen by KU Endowment for their expertise in specialized portfolio management. Funds participating in the long-term investment portfolio receive regular distributions that are available for immediate spending in accordance with KU Endowment's established spending policy.

The Executive Committee as well as the Finance and Audit Committee of KUCR oversee KUCR investments. Per KUCR investment policy, investments are limited to money market funds, U.S. Treasury obligations (Bills, Notes, Bonds), U.S. Government Agency obligations, corporate obligations rated 'A-' or better, equity mutual funds, exchange traded funds, stocks sold on major international exchanges such as NYSE, ASE, and NASDAQ, and fully collateralized repurchase agreements. Asset allocation targets are reviewed quarterly by the Investment Committee and at least semi-annually by the Finance and Audit Committee and the Executive Committee.

Athletics investment policy limits investments to money market accounts, certificates of deposit, U.S. Treasury obligations (Bills, Notes, Bonds), and investments with KU Endowment.

KU Unions does not have a formal investment policy. Operational reserves are invested in short-term certificates of deposit or government securities as directed by the Executive Board.

The Board of Directors and Finance Committee of KUMC Research Institute Inc. (KUMCRI) oversee the KUMCRI's investment policy. Per KUMCRI investment policy, investments in fixed income investments are through direct ownership of the financial investments held by the KUMCRI in a laddered portfolio, and for equities within a mutual fund. Investments will be made by the Treasurer within the guidelines of the investment policy. The Finance Committee reviews the portfolio quarterly. KUMCRI investment policy limits fixed income investments to Certificates of Deposit, U.S. Treasury or Agency obligations and no more than 10% of portfolio in equities. Certificates of Deposit may not exceed the FDIC limit for any one bank.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that leverages investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The University has historically held its fixed income securities until maturity, thus limiting the University's interest rate risk exposure.

For revenue bond investments managed by KDFA, because of the tax-exempt status of the bonds, it is generally the practice of KDFA and University management to match reserve fund interest rates to the arbitrage yield on the bonds, and the term of the investments to the maturity of the bonds. For invested loan funds, KDFA generally invests to maximize the interest rate and sets a term of investment based on estimated expenditures, which is generally 3 – 5 years.

The University had the following investments and maturities at June 30, 2015:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Investments with Maturity Date:					
US Treasury obligations	$ 13,913,567	$ 474,033	$ 12,589,538	$ 722,641	$ 127,355
US Agency obligations	22,974,550	1,583,503	19,104,504	1,107,707	1,178,836
Corporate bonds	3,910,768	45,181	2,229,899	1,554,511	81,177
Foreign bonds	91,662	-	59,646	32,016	-
Repurchase agreements	101,000	-	-	-	101,000
Guaranteed investment contracts	1,419,475	-	-	-	1,419,475
Other	31,212,480	2,088,622	10,443,308	-	18,680,550
External investment pools					
KUEA Short-term Investment Program	7,176,617	7,176,617	-	-	-
	80,800,119	11,367,956	44,426,895	3,416,875	21,588,393
Investments not subject to maturity dates:					
Domestic stock	4,588,472				
Foreign Stock	681,291				
Mutual funds	18,315,144				
Exchange traded funds	1,853,648				
Limited liability companies	439,074				
Other	7,188,020				
External investment pools					
KUEA Long-term Investment Program*	90,269,151				
	123,334,800				
	$ 204,134,919				

* KU Endowment's Long-term investment program is invested in approximately 80% equities (no maturity date).

CREDIT RISK

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The University holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. Certain investments have an underlying collateral agreement.

As of June 30, 2015, the University held the following investments as rated by Standard and Poor's and/or Moody's:

Credit Quality Rating	Fair Value	% of Total
AAA	$ 12,485,751	6.1%
AA+/AA/AA-	25,753,714	12.6%
A+/A/A-	4,645,332	2.3%
BBB+/BBB/BBB-	1,821,456	0.9%
BB+/BB/BB-	79,996	0.0%
Not Rated	159,348,670	78.1%
	$ 204,134,919	100.0%

The investments in the "Not Rated" category include investments in KU Endowment's Short-term and Long-term Investment Programs (external investment pools are not required to be rated), the State's Pooled Money Investment Board (PMIB), as well as the University's bond related guaranteed investment contracts and repurchase agreements managed by KDFA.

CUSTODIAL CREDIT RISK

The custodial credit risk for investments is the risk that, in the event of the failure of the counter party, the University will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. The University's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent but not in the University's name.

The investment policies of the University and its component units do not formally address custodial credit risk. Nonetheless, the University's custodial credit risk is estimated to be minimal because of several factors. First, investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence are not evidenced by securities that exist in physical or book entry form. As noted above, the majority of the University's investments are invested within KU Endowment's Short-term and Long-term Investment Programs. Second, management has evaluated the stability of the financial institutions through which other investments are made. Generally the financial institutions are members of the Depository Trust Company (DTC), the world's largest depository and a member of the Federal Reserve System. DTC holds and provides asset servicing for securities deposited with the DTC by DTC participants. DTC facilitates settlement of transactions through electronic book-entry transfers and pledges between the DTC participants' accounts. This eliminates the need for physical movement of securities certificates. Additionally the financial institutions hold the assets in custody or trust so that they would not be available to the institution's creditors because they are excluded from the assets of the custodian.

The KUMCRI has made minimal investments directly in limited partnerships, which would have some custodial risk. The balance of these investments as of June 30, 2015 and 2014 was $439,074 and $376,835, respectively.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University does not have a formal policy regarding the concentration of credit risk. However, management has evaluated the financial stability of the financial institutions involved and believes the credit risk is minimal.

Of the University's total investments of $204,134,919 and $211,900,911 as of June 30, 2015 and 2014, respectively; KU Endowment administers $97,445,768 and $100,359,374 respectively. The Kansas Development Finance Authority invests $101,000 of the total as of June 30, 2015 and 2014. These monies represent bond proceeds and reserve requirements.

The University investments also include $8,625,609 and $24,097,907 of investments administered by U.S. Trust Bank of America Private Wealth Management as of June 30, 2015 and 2014, respectively, and $14,037,676 of investments administered by Frost Wealth Advisors. These investments consist of three accounts: 1) the Gertrude S. Pearson Trust, 2) the Elizabeth M. Watkins Trust for Watkins and Miller Scholarship Halls, and 3) the Elizabeth M. Watkins Trust for Watkins Hospital.

> The Gertrude S. Pearson Trust had a reported market value of $17,122,398 and $18,025,585 at June 30, 2015 and 2014, respectively.
>
> The Elizabeth M. Watkins Trust for Watkins and Miller Scholarship Halls had a reported market value of $3,585,584 and $3,928,555 at June 30, 2015 and 2014, respectively.
>
> The Elizabeth M. Watkins Trust for Watkins Hospital had a reported market value of $1,955,303 and $2,140,767 at June 30, 2015 and 2014, respectively.

The remaining investments consist of $83,924,866 and $87,342,630 invested in a combination of short-term and long-term investments, primarily US Agency obligations.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable net of estimated uncollectible amounts, consisted of the following at June 30:

	2015	2014
Tuition and Fees	$ 13,376,886	$ 16,243,511
Auxiliary	11,583,292	13,788,378
Grants and Contracts	41,461,461	49,963,935
Other	14,703,527	12,932,919
	81,125,166	92,928,743
Less:		
Allowance for uncollectible amounts	(3,063,449)	(983,799)
	$ 78,061,717	$ 91,944,944

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable consist of the following unconditional promises to give:

	2015	2014
Due in less than one year	$ 17,401,399	$ 15,157,181
Due in one to five years	7,561,582	7,364,541
	24,962,981	22,521,722
Less		
Unamortized discount	508,657	542,596
Allowance for uncollectible amounts	1,165,529	1,205,151
	$ 23,288,795	$ 20,773,975

Pledges receivable are recorded on the accompanying statements of financial position as follows:

	2015	2014
Pledges receivable - current	$ 16,235,870	$ 13,952,030
Pledges receivable - non-current	7,052,925	6,821,945
	$ 23,288,795	$ 20,773,975

NOTE 6 – INVENTORIES

Inventories consisted of the following at June 30:

	2015	2014
Bookstore	$ 3,286,457	$ 3,335,190
Food Service	310,548	228,372
Physical Plant	2,759,256	2,330,218
Professional and Scientific Supplies	746,309	807,402
Other	248,967	231,683
	$ 7,351,537	$ 6,932,865

NOTE 7 – LOANS TO STUDENTS

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans to students at June 30, 2015 and 2014. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for a portion of amounts cancelled under these provisions. As the University determines that Perkins loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education.

The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2015 and 2014, the allowance for uncollectible loans was estimated to be $132,079 and $490,373 respectively.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets				
Land	$ 28,175,474	$ 1,318,552	$ (67,395)	$ 29,426,631
Land improvements	4,294,155	938,758	-	5,232,913
Construction in progress	56,893,388	139,506,281	(108,561,078)	87,838,591
Software	3,614,618	2,712,555	-	6,327,173
Works of Art	19,937,745	1,247,679	-	21,185,424
Total non-depreciable capital assets	112,915,380	145,723,825	(108,628,473)	150,010,732
Depreciable capital assets				
Buildings	1,440,430,666	97,132,757	(3,018,792)	1,534,544,631
Leasehold Improvements	1,489,356	578,675	(349,544)	1,718,487
Infrastructure	116,663,737	6,177,987	-	122,841,724
Equipment	281,655,525	16,907,634	(11,151,749)	287,411,410
Vehicles	20,661,485	11,329,013	(6,211,430)	25,779,068
Total depreciable capital assets	1,860,900,769	132,126,066	(20,731,515)	1,972,295,320
Total capital asset cost	1,973,816,149	277,849,891	(129,359,988)	2,122,306,052
Accumulated depreciation				
Buildings	617,471,944	47,842,402	(89,270)	665,225,076
Leasehold Improvements	619,956	112,207	(275,340)	456,823
Infrastructure	37,473,488	4,246,709	-	41,720,197
Equipment	201,182,474	20,440,230	(8,831,604)	212,791,100
Vehicles	17,568,002	2,162,207	(6,169,705)	13,560,504
Total accumulated depreciation	874,315,864	74,803,755	(15,365,919)	933,753,700
Capital assets, net	$ 1,099,500,285	$ 203,046,136	$ (113,994,069)	$ 1,188,552,352

The University elected not to capitalize its library book collections. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep encumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

NOTE 9 - CHANGES IN NON-CURRENT LIABILITIES

Non-current liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 43,754,008	$ 25,959,678	$ (31,670,761)	$ 38,042,925	$ 31,334,424
Accrued other post-employment benefits	29,318,000	3,291,000	(386,000)	32,223,000	-
Capital leases payable	14,993,953	218,414	(2,359,282)	12,853,085	2,393,380
Notes payable	9,307,017	500,000	(4,250,329)	5,556,688	1,369,694
Revenue bonds payable	451,928,400	-	(21,780,206)	430,148,194	25,442,170
Other long-term liabilities	17,874,529	3,253,600	(1,382,577)	19,745,552	1,201,622
Total non-current liabilities	$ 567,175,907	$ 33,222,692	$ (61,829,155)	$ 538,569,444	$ 61,741,290

NOTE 10 - REVENUE BONDS OUTSTANDING

Revenue bonds payable consist of the following:

	Principal Outstanding at June 30, 2015
Series 2005E-1 - Kansas Development Finance Authority Revenue Bonds (The Board of Regents – **University of Kansas Housing System 1996E Templin Hall Refunding Project**) $3,065,000. Due in annual installments of $155,000 to $270,000. Issued 5/1/05 with a final maturity on 5/1/21. Interest ranging from 3.0% to 5.0% payable semi-annually. A rating of Aa3 was assigned by Moody's Investor Service. The bonds were upgraded to Aaa with the addition of an insurance policy issued by Ambac Assurance Corporation.	215,000
Series 2005E-1 - Kansas Development Finance Authority Revenue Bonds (The Board of Regents – **University of Kansas Housing System Hashinger Hall Renovation**) $12,965,000. Due in annual installments of $125,000 to $2,015,000. Issued 5/1/05 with a final maturity on 5/1/30. Interest ranging from 3.0% to 4.5% payable semi-annually. A rating of Aa3 was assigned by Moody's Investor Service. The bonds were upgraded to Aaa with the addition of an insurance policy issued by Ambac Assurance Corporation.	300,000
Series 2006B - Kansas Development Finance Authority Revenue Bonds (Kansas Board of Regents – **University of Kansas Parking Facilities Project - Park & Ride**) $9,790,000. Due in annual installments of $140,000 to $1,450,000. Issued 4/1/06 with a final maturity on 4/1/21. Interest ranging from 3.5% to 4.1% payable semi-annually. A rating of Aa3 was assigned by Moody's Investor Service. The bonds were upgraded to Aaa with the addition of an insurance policy issued by XL Capital Assurance Inc.	7,875,000
Series 2007E - Kansas Development Finance Authority Revenue Bonds (Kansas Board of Regents – **University of Kansas Recreation and Fitness Center Expansion Project**) $6,275,000. Due in annual installments of $200,000 to $450,000. Issued 5/1/07 with final maturity on 5/1/27. Interest ranging from 3.8% to 4.3% payable semi-annually. A rating of AAA was assigned by Standard & Poor's based upon an insurance policy issued by XL Capital Assurance.	4,340,000
Series 2007M - Kansas Development Finance Authority Revenue Bonds (Kansas Board of Regents - **University of Kansas – Law Enforcement Training Center**) $18,220,000. Due in annual installments of $670,000 to $1,350,000. Issued 12/6/07 with final maturity on 6/1/27. Interest ranging from 3.5% to 4.6% payable semi-annually. A rating of A1 was assigned by Moody's Investor Service. The bonds were upgraded to Aaa with the addition of an insurance policy issued by Assured Guaranty Corporation.	13,000,000

	Principal Outstanding at June 30, 2015
Series 2008L - Kansas Development Finance Authority Revenue Bonds (Kansas Board of Regents - **University of Kansas – School of Pharmacy Project**) $21,070,000. Due in annual installments of $560,000 to $1,245,000. Issued 11/1/08 with final maturity on 11/1/28. The first principal payment is due 11/1/09. Interest ranging from 2.0% to 5.3% payable semi-annually. A rating of Aaa was assigned by Moody's Investor Service based upon an insurance policy issued by Financial Security Assurance, Inc.	16,435,000
Series 2009M - Kansas Development Finance Authority Revenue Bonds (State of Kansas Project - **Pharmacy**) $31,650,000. Due in annual installments of $1,115,000 to $2,350,000. Issued 8/13/09 with final maturity on 11/1/29. Interest ranging from 3.0% to 6.3% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.	22,435,000
Series 2010A - Kansas Development Finance Authority Revenue Bonds (Kansas Board of Regents - **University of Kansas Housing System Projects: Jayhawker Renovation, current refunding of 1998D Series and advance refunding 2002A-1 Series)** $23,700,000. Principal due in annual installments of $610,000 to $2,030,000 beginning 11/1/10. Issued 1/28/10 with final maturity on 11/1/29 with interest ranging from 2.0% to 4.1% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa2.	20,105,000
Series 2010B - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Energy Conservation Program)** $21,650,000. Due in annual installments of $275,000 to $1,815,000. Issued 1/7/10 with final maturity on 11/1/26. Interest ranging from 2.5% to 3.8% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.	16,890,000
Series 2010K-1 - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Refund of Edwards Campus 2002K)** $3,615,000. Due in annual installments of $40,000 to $530,000. Issued 5/12/10 with final maturity on 5/1/23. Interest ranging from 2.0% to 3.5% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.	3,415,000
Series 2010M-1 - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Edwards Campus Building No. 4)** $6,125,000. Due in annual installments of $1,175,000 to $1,275,000. Issued 5/5/10 with final maturity on 6/30/2016. Interest ranging from 2.0% to 2.1% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.	1,275,000
Series 2010M-2 - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Edwards Campus Building No. 4 -Build America Bonds)** $14,865,000. Due in annual installments of $1,305,000 to $1,700,000. Issued 5/5/10 with final maturity on 9/1/25. Interest ranging from 2.0% to 5.1% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.	14,865,000
Series 2011C - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Housing System Project: Grace Sellards Pearson Residence Hall renovation)** $13,450,000. Principal is due in annual installments of $385,000 to $830,000 beginning 5/1/12. Issued 5/18/11 with final maturity on 5/1/36 with interest ranging from 2.0% to 5.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa1.	11,935,000

	Principal Outstanding at June 30, 2015
Series 2012D - Kansas Development Finance Authority Refunding Revenue Bonds (**University of Kansas Projects: Refunding 1999C, 2002A,and 2002K Series**) $7,370,000. Issued 3/7/12 with an with final maturity of 5/1/29. Principal is due in annual installments ranging from $155,000 to $1,750,000 beginning in 5/1/12 with interest ranging from 2.0% to 4.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa1.	2,320,000
Series 2013G-1 - Kansas Development Finance Authority Revenue Bonds (**University of Kansas School of Engineering Project**) $74,370,000. Issued 10/29/13 with an with final maturity of 5/1/38. Principal is due in annual installments ranging from $1,905,000 to $4,935,000 beginning in 5/1/16 with interest ranging from 4.0% to 5.0% payable semi-annually. At the time of issuance, Standard and Poor's assigned a rating of AA and Moody's Investors Service assigned rating of Aa1.	74,370,000
Series 2014C - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Projects: McCollum Residence Hall replacement and refunding of a portion of the Series 2005E-1 Series**) $55,310,000. Issued 6/19/14 with an with final maturity of 5/01/39. Principal is due in annual installments ranging from $35,000 to $2,625,000 beginning in 5/1/15 with interest ranging from 3.5% to 5.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa2.	55,275,000
Series 2005D - Kansas Development Finance Authority Revenue Bonds (The Board of Regents - **University of Kansas Medical Center Scientific Research and Development Facilities Projects**) $27,130,000. Due in annual installments ranging from $1,170,000 to $3,935,000. Issued 4/1/05 with a final maturity on 10/1/15. Interest ranging from 3.9% to 4.8% payable semi-annually. The bonds were rated at AA by Standard & Poor's at the time of issuance. The rating was upgraded to AAA with the purchase of insurance.	2,595,000
Series 2005E-2 - Kansas Development Finance Authority Revenue Bonds (The Board of Regents – **University of Kansas Medical Center Parking Garage #3**) $3,330,000. Due in annual installments ranging from $120,000 to $225,000. Issued 5/24/05 with a final maturity on 5/1/25. Interest ranging from 3.0% to 5.0% payable semi-annually. The underlying revenue stream was assigned an A1 rating by Moody's Investor Service. The bonds were upgraded to Aaa with the addition of an insurance policy issued by Ambac Assurance Corporation.	165,000
Series 2010K-2 - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Medical Center Parking Build America Bonds)** $7,190,000. Due in annual installments of $265,000 to $495,000. Issued 5/12/10 with final maturity on 5/1/35. Interest ranging from 3.6% to 6.2% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.	7,190,000
Series 2010P-1 - Kansas Development Finance Authority Revenue Bonds (The Board of Regents - **University of Kansas Medical Center Clinical Research Center Project**) $3,950.000. Due in annual installments ranging from $620,000 to $705,000. Issued 10/7/10 with a final maturity in 9/1/16. Interest ranging from 2.0% to 3.0% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.	1,390,000
Series 2010P-2 - Kansas Development Finance Authority Revenue Bonds (The Board of Regents - **University of Kansas Medical Center Clinical Research Center Project - Build America Bonds**) $11,980,000. Due in annual installments ranging from $725,000 to $1,025,000. Issued 10/7/10 with a final maturity in 9/1/30. Interest ranging from 2.6% to 5.0% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.	11,980,000

	Principal Outstanding at June 30, 2015
Series 2010N - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Medical Center Research Institute, Inc. Project: Wahl Hixon renovation, refund 1999B Series and refund 2001U Series (2001T-1 portion)**) $30,160,000. Principal is due in annual installments ranging from $490,000 to $2,550,000 beginning 4/1/11. Issued 10/14/10 with a final maturity 4/1/30 and interest ranging from 3.5% to 5.0% payable semi-annually. At the time of issuance Standard & Poor's issued a rating of AA and Moody's Investor Service issued a rating of Aa1.	20,880,000
Series 2012D - Kansas Development Finance Authority Refunding Revenue Bonds (**University of Kansas Projects: Medical Center Scientific Research and Development refund 2003C Series)** $36,565,000. Issued 3/7/12 with a final maturity of 5/1/29. Principal is due in annual installments ranging from $2,200,000 to $3,475,000 beginning 5/1/17 with interest ranging from 2.0% to 4.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Services assigned a rating of Aa1.	36,565,000
Series 2012D - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Projects: Medical Center Energy Conservation partial refund of 2003J Series**) $5,265,000. Issued 3/7/12 with a final maturity of 5/1/25. Principal is due in annual installments ranging from $5,000 to $995,000 beginning 5/1/15 with interest ranging from 2.0% to 4.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Services assigned a rating of Aa1.	5,260,000
Series 2013G-2 - Kansas Development Finance Authority Refunding Revenue Bonds (**University Medical Center Energy Conservation Project: Refund a portion of 2003J Series**) $2,965,000. Issued 10/29/13 with a final maturity of 5/1/19. Principal is due in annual installments ranging from $520,000 to $675,000 beginning 5/1/15 with interest ranging from 4.0% to 5.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa1.	2,445,000
Series 2014B - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Medical Center Energy Conservation Project**) $2,423,400. Issued 3/12/14 with a final maturity of 2/1/19. Principal is due in annual installments ranging from $480,206 to $489,439 beginning 2/1/15 with interest of 0.5% payable semi-annually. Private placement with the Pooled Money Investment Board.	1,943,194
Series 2014C - Kansas Development Finance Authority Revenue Bonds (**University of Kansas Project: Refund a portion of the 2005E-2 Series Medical Center Parking Garage 3**) $1,345,000. Issued 6/19/14 with a final maturity of 5/1/24. Principal is due in annual installments ranging from $140,000 to $195,000 beginning 5/1/17 with interest of 5% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa2.	1,345,000
Series 2014F - Kansas Development Finance Authority Refunding Revenue Bonds (**Kansas Athletics, Incorporated: Refund the 2004K and 2008C Series)** $39,430,000. Principal is due in annual installments of $1,495,000 to $2,825,000 beginning 2/1/15. Issued 6/26/14 with final maturity on 6/01/33 and interest ranging from 3.0% to 4.0% payable semi-annually. At the time of issuance, Standard & Poor’s assigned a rating of A and Moody's Investors Service assigned a rating of A1.	37,880,000
Series 2006G - Kansas Development Finance Authority Revenue Bonds (The Board of Regents - **University of Kansas Center for Research, Inc. Project (SBCIII**) $17,085,000. Due in annual installments of $470,000 to $4,615,000. Issued 10/1/06 with final maturity on 2/1/26. Interest ranging from 4.0% to 5.0% payable semi-annually. A rating of A Stable was assigned by Standard & Poor’s and a rating of Aa1 was assigned by Moody’s Investor Services.	2,080,000

	Principal Outstanding at June 30, 2015
Series 2012E - Kansas Development Finance Authority Refunding Revenue Bonds (**University of Kansas Center for Research, Inc. Project: Refund 2005B Series) $29,675,000 ($14,075,000 tax-exempt and $15,600,000 taxable)**. Principal is due in annual installments of $2,190,000 to $2,950,000 beginning 2/1/13. Issued 3/15/12 with a final maturity on 2/1/24 and interest ranging from 2.0% to 5.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa1.	23,000,000
Series 2014E - Kansas Development Finance Authority Refunding Revenue Bonds (**University of Kansas Center for Research, Inc. Project: Advance refund a portion of 2006G Series)** $10,580,000. Principal is due in annual installments of $90,000 to $4,045,000 beginning 2/1/15. Issued 6/19/14 with final maturity on 2/1/25 and interest ranging from 2.0% to 3.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa2.	10,380,000
Total	$ 430,148,194

NOTE 11 - REVENUE BONDS MATURITY SCHEDULE

Maturities of principal and interest requirements on revenue bonds payable are as follows:

Year Ending June 30:	Principal	Interest	Total
2016	$ 25,442,170	$ 17,338,715	$ 42,780,885
2017	24,534,581	16,089,941	40,624,522
2018	26,267,004	15,608,431	41,875,435
2019	24,759,439	14,592,355	39,351,794
2020	25,065,000	13,621,083	38,686,083
2021-2025	134,395,000	51,253,467	185,648,467
2026-2030	99,230,000	25,215,747	124,445,747
2031-2035	45,535,000	10,778,836	56,313,836
2036-2039	24,920,000	2,336,375	27,256,375
	$ 430,148,194	$ 166,834,950	$ 596,983,144

In prior years, the university defeased certain revenue bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the defeased bonds and the related trust balances are not reflected in the University's financial statements. As of June 30, 2015 and 2014, the outstanding amount of defeased issuances held in irrevocable trusts was $10,560,000 and $64,690,000, respectively.

NOTE 12 - LEASE OBLIGATIONS

The University of Kansas is obligated for the purchase of certain equipment funded through the issuance of blanket financing agreements in the amount of $12,853,085 and $13,916,957 as of June 30, 2015 and 2014, respectively. Payments to liquidate these obligations are scheduled as follows:

Year Ending June 30:	Total
2016	$ 2,772,213
2017	2,697,831
2018	2,314,932
2019	1,459,178
2020	1,455,297
2021 and thereafter	3,638,243
	14,337,694
Less: Capital lease interest	(1,484,609)
	$ 12,853,085

Included in this balance is the Master Lease Purchase agreement between the University and the State for the University's Energy Performance Contract. The University's Energy Performance Contract consists of approximately 100 energy saving measures that were completed in fiscal year 2004 and were expected to result in annual utility and maintenance savings of $1,700,000. The projects were funded through a Master Lease Purchase Agreement between the State of Kansas and Citibank, N.A. The University is responsible for repaying the State for the 20-year term of the lease. The remaining principal balance of the master lease agreement as of June 30, 2015 is $9,611,315.

NOTE 13 – NOTES PAYABLE

KU Unions has a loan agreement to a bank with an outstanding balance of $722,285 and $908,817 as of June 30, 2015 and 2014, respectively. The loan bears interest at a fixed rate of 2.88%, matures in October 2018, and is secured by the equipment purchased.

KU Unions has a line of credit with a bank in the amount of $500,000. The full amount has been drawn against the line of credit as of June 30, 2015. No amounts were drawn agains the line of credit as fo June 30, 2014. The line of credit carries a variable interest rate, which was 3.25% at June 30, 2015 and 2014, expires on December 31, 2015, and is secured by accounts receiable, inventory and equipment.

Athletics has a note payable to a donor with an outstanding balance of $2,000,000 and $6,000,000 as of June 30, 2015 and 2014, respectively. The note payable bears no interest, matures in January 2017, and is unsecured. During the year ended June 30, 2015, the donor forgave $4,000,000 of the note balance which is included in other nonoperating revenues on the Statement of Revenues, Expenses and Changes in Net Position.

Athletics has a note payable to a bank with an outstanding balance of $1,742,134 and $1,805,931 as of June 30, 2015 and 2014, respectively. The note bears interest at a variable rate based on the weekly average yield of the one year U.S. Treasury plus a margin of 3.0%, not to be less than 4.25%. The note currently bears interest at 4.25%, matures in May 2020, and is secured by property and equipment.

Athletics has a line of credit with a bank in the amount of $600,000. Athletics has drawn $592,269 against the line of credit as of June 30, 2015 and 2014, respectively. The line of credits carries a variable interest rate, which was 3.75% at June 30, 2015 and 2014, expires in January 2016, and is unsecured.

Future maturities of the notes payable are as follows:

Year Ending June 30:	Total
2016	$ 1,369,694
2017	285,771
2018	2,295,149
2019	152,352
2020	1,453,722
	$ 5,556,688

NOTE 14– DEFERRED INFLOWS/OUTFLOWS

Per GASB Statement No. 63, the University's unamortized loss on bond refunding is no longer reported as a negative long-term liability, but instead as a deferred outflow. Deferred outflow amounts for the year ended June 30, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unamortized loss on bond refunding	$ 3,672,836	$ 914,626	$ (595,969)	$ 3,991,493	$ 595,969

NOTE 15– PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan description: The University participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737. The amounts presented below include the KPERS State of Kansas and KPERS police and fire participants located at the Lawrence, Edwards and Medical Center campuses.

Benefits provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. K.S.A. 74-4919 and K.S.A. 74-4920 establish the KPERS member-employee contributions rates. Effective July 1, 2009, KPERS has two benefit structures and contribution rates depend on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing member hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 member and 6% of covered salary for Tier 2 members through December 31, 2014. On January 1, 2015, Kansas law increased the KPERS member-employee contribution rate to 6% of covered salary for Tier 1 members; however, the Tier 2 member-employee contribution rate remained at 6% of covered salary. Member employee's contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rate was 15.12% and 10.27%, respectively, for the fiscal year ended June 30, 2014. The actuarially determined employer contribution rate was 15.41% for the fiscal year ended June 30, 2015. The statutory contribution rate was 11.27% from July 1, 2014 to December 31, 2014 and 8.65% from January 1, 2015 to June 30, 2015. Contributions to the pension plan from the University was $6,735,233 for the year ended June 30, 2015.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2015, the University reported a liability of $78,883,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014**.** The University's proportion of the net pension liability was based on the ratio of the University's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2014. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2014, the University's proportion was 1.76%, which was a decrease of .16% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $4,750,644. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 48,986	$ 1,777,421
Net difference between projected and actual earnings on pension plan investments	-	9,769,280
Change in proportion	-	7,229,161
Contributions subsequent to measurement date	6,735,233	-
	$ 6,784,219	$ 18,775,862

$6,735,233 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Total
2016	$ 4,300,743
2017	4,300,743
2018	4,300,743
2019	4,300,743
2020	1,523,904
	$ 18,726,876

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	3.00%
Wage Inflation	4.00%
Salary increases, including wage increases	4.00% to 12.50%, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.00%
Fixed income	14	0.85
Yield driven	8	5.50
Real return	11	3.75
Real estate	11	6.65
Alternative	8	9.50
Short-term investments	1	—
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the University will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability	$ 103,674,668	$ 78,883,056	$ 57,841,529

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

Subsequent events. Under the budgetary allotment process for the State of Kansas, the Kansas governor has authority to reduce the approved budget for purposes of balancing the budget. For the State's fiscal year ending June 30, 2015, the KPERS employer contribution to the State/School group was reduced by $58 million. It is unknown at the time whether this reduction will have a significant effect on the University's proportionate share of the KPERS collective net pension liability, or an effect on any actuarial assumptions used by KPERS to calculate the net pension liability.

During the 2015 state legislative session, Senate Bill 228 was passed authorizing the issuance of one or more series of revenue bonds to provide deposits to KPERS in a total amount not to exceed $1 billion. The purpose of such bond issuance would be for financing a portion of the unfunded actuarial pension liability of KPERS, which would also have an effect on the collective net pension liability. Final issuance of such bonds must be approved by a resolution of the State Finance Council. As of the date of this report, no such bonds under Senate Bill 228 had been issued. The effect of any potential bond issuance on the University's proportionate share of the KPERS collective net pension liability is unknown at this time.

NOTE 16 - RETIREMENT PLANS

Unclassified employees participate in the "Board of Regents 403(b) Retirement Program". This defined contribution program is funded through contributions by the University and the individual employees at rates established by state statute. The University contributed $35,910,703 and $33,641,890 during fiscal years 2015 and 2014, respectively, and individual employees contributed $23,143,127 and $21,697,227.

Employees of Kansas Athletics, Inc., the University of Kansas Memorial Corporation, and the University of Kansas Medical Center Research Institute, participate in defined contribution programs similar to the "Board of Regents 403(b) Retirement Program". The Corporations contributed $1,976,800 and $1,959,618 to their individual plans during fiscal years 2015 and 2014, respectively.

NOTE 17 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB)

DESCRIPTION

As an agency of the State of Kansas, the University participates in the State's health insurance benefit plan. Kansas statute provides that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for retirees and their dependents as for active employees and their dependents. The health insurance benefit plan is a single employer defined benefit plan administered by Kansas Health Policy Authority. The benefit is available for selection at retirement and is extended to retirees and their dependents for life. Non-Medicare participants are subsidized by the University, thus resulting in a liability to the University. At a State level, the accounting for the health insurance for retirees is included in the State's Self-Insurance Health fund, with the subsidy provided from the Self-Insurance Health fund.

FUNDING POLICY

The University provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 75-6511). Kansas statute, which may be amended by the state legislature, established that participating retirees contribute to the employee group health fund benefits plan, including administrative costs.

The University does not pay retirement benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The University's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any Unfunded Actuarial Accrued Liabilities (UAAL) over a period of not to exceed thirty years.

The following table presents the components of the University's annual OPEB cost for the year, the contribution to the plan, and changes in the University's net OPEB obligation.

	Total
Amortization of the UAAL	$ 1,695,000
Interest on amortized liability	65,000
Normal cost (with interest)	2,703,000
Annual Required Contribution (ARC)	4,463,000
Interest on Net OPEB Obligation	1,128,000
Adjustment to the ARC	(1,665,000)
Annual OPEB cost	3,926,000
Net Employer Contributions	(1,021,000)
Increase in net OPEB obligation	2,905,000
Net OPEB obligation July 1, 2014	29,318,000
Net OPEB obligation June 30, 2015	$ 32,223,000

Schedule of Employer Contributions (for fiscal year ended)

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2013	$ 4,513,000	$ 779,000	17%	$ 21,798,000
2014	4,450,000	879,000	20%	29,318,000
2015	3,926,000	1,021,000	26%	32,223,000

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $34,833,000. The University's policy is to fund the benefits on a pay-as-you-go basis that is paid implicitly through rate subsidization, resulting in an UAAL of $34,833,000. The covered payroll (annual payroll of active employees covered by the plan) was $570,208,000, and the ratio of the UAAL to the covered payroll was 6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress will present in time, multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
2013	$ -	$ 37,866,000	$ 37,866,000	0%	$ 555,701,000	7%
2014	-	39,351,000	39,351,000	0%	562,596,000	7%
2015	-	34,833,000	34,833,000	0%	570,208,000	6%

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation the projected unit credit method was applied. The actuarial assumptions included a 3.85% investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.5% to 10% in the first ten years and an ultimate rate of 5.0% after ten years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30-year open period in level dollar amounts.

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

At June 30, 2015 and 2014, the University had outstanding commitments under construction contracts totaling $169,774,000 and $237,558,000 respectively.

KUCR has agreed to provide funding to the Bioscience & Technology Business Center, Inc. totaling $2 million to expand the Bioscience & Technology Business Center. Outstanding amounts under this commitment were $400,000 and $600,000 as of June 30, 2015 and 2014, respectively.

All university buildings and contents were insured up to a limit of $500,000,000 per occurrence subject to deductibles between $250,000 and $500,000. Named equipment is covered up to the declared value with a $5,000 deductible. State-owned automobiles are covered by liability coverage for bodily injury and property damage up to $500,000 per occurrence. The University is not aware of any significant outstanding claims as of June 30, 2015.

In the normal course of operations, the University receives grants and other forms of reimbursement from various Federal and State agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing of such funds. University officials believe that the liability, if any, for any reimbursement that may arise as the result of audits, would not be material.

NOTE 19 – NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional and natural classification for 2015 are as follows:

	Natural Classification					
Functional Classification	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	$ 355,582,217	$ -	$ 288,804	$ 25,816,101	$ -	$ 381,687,122
Research	180,798,145	-	13,400	72,513,514	-	253,325,059
Public service	24,302,646	-	28	16,614,713	-	40,917,387
Academic support	49,203,332	-	-	19,654,930	-	68,858,262
Student services	26,233,716	-	873,059	7,959,496	-	35,066,271
Institutional support	48,516,143	-	-	13,190,849	-	61,706,992
Operations and maintenance of plant	40,363,111	-	23,243,797	8,615,337	-	72,222,245
Depreciation	-	-	-	-	74,803,755	74,803,755
Scholarships and fellowships	40,817	17,753,530	-	-	-	17,794,347
Auxiliary enterprises:						
Housing	3,564,570	-	3,234,381	10,738,373	-	17,537,324
Athletics	37,019,363	11,941,779	1,511,439	38,302,921	-	88,775,502
Parking	3,349,236	-	368,982	2,831,963	-	6,550,181
Student unions	14,286,538	-	962,584	17,603,376	-	32,852,498
University health services	5,890,067	-	300	2,409,421	-	8,299,788
Other auxiliary enterprises	9,094,601	-	-	(2,423,663)	-	6,670,938
Other	4,700,594	-	14,067	(384,674)	-	4,329,987
Total	**$ 802,945,096**	**$ 29,695,309**	**$ 30,510,841**	**$ 233,442,657**	**$74,803,755**	**$ 1,171,397,658**

NOTE 20 – ASSETS HELD FOR OTHERS

In 2000 and 2004, KUCR received certain federal grant funds to establish the State of Kansas'Alternative Financing Program and Telework Program (the Program). As required by the grant funding agreements, the KUCR contracted with a community based organization to administer the Program. In 2014, KUCR terminated the contractual agreements with the community based organization that administered the Program. In connection with the termination agreement, the financial assets of the program were returned to KUCR. During the years ended June 30, 2015 and 2014, KUCR received approximately $7.2 million upon the finalization and closeout of the contractual agreements.

KUCR has entered into an agreement with another community based organization to administer the Program. In association with this agreement, KUCR will maintain certain administrative and fiduciary responsibilities related to certain financial assets of the Program. These financial assets primarily consist of investments. According, the amounts of financial assets administered by KUCR under the Program are also reported as assets held for others. At June 30, 2015 and 2014, these amounts totaled $7,207,588 and $6,939,183, respectively.

In addition, the University holds funds on the behalf of certain student organizations. The amounts held by the University are recorded in restricted cash and cash equivalents and deposits held in custody for others. As of June 30, 2015 and 2014, the University held $769,787 and $841,137 on behalf of the student organizations.

NOTE 21 – DISCRETELY PRESENTED COMPONENT UNIT

The Kansas University Endowment Association (KU Endowment) is an independent, nonprofit organization serving as the official fund-raising and fund-management foundation for the University of Kansas (the University). Founded in 1891, KU Endowment is the oldest foundation of its kind and one of the largest at a public university in the United States. KU Endowment partners with donors in providing philanthropic support to build a greater university.

KU Endowment is a tax-exempt organization as described in Sections 501(c)(3) and 170(b)(1)(A)(iv) of the Internal Revenue Code (the Code) and has received an Internal Revenue Service (IRS) determination letter stating that its exempt function income is exempt from tax, pursuant to Section 501(a) of the Code.

KU Endowment's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

To ensure observance of limitations and restrictions that donors have placed on the use of resources available to KU Endowment, the accounts of KU Endowment are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes, as specified by the resource donor, are classified for accounting and reporting purposes into separate fund accounts that are established according to their individual nature and purpose. However, these separate accounts that have similar characteristics have been combined into groups in KU Endowment's consolidated financial statements, and all financial transactions have been recorded and reported accordingly, by fund groups.

Funds have been grouped by classification into three categories: unrestricted, temporarily restricted, and permanently restricted. Unrestricted funds represent assets and contributions that are available for the broad benefit of the University but are not otherwise restricted by donors. Temporarily restricted funds represent assets and contributions with a donor-imposed restriction that permits the organization to use or expend the donated assets as specified, and the restriction is satisfied either by the passage of time or by actions of the organization. Permanently restricted funds represent assets and contributions with a donor-imposed restriction that stipulates that the resources be maintained permanently but permits the organization to use or expend part or all of the income derived from the donated assets.

KU Endowment's complete Audit Report is available at:

http://www.kuendowment.org/s/1312/endowment/index.aspx?sid=1312&gid=1&pgid=674

NOTE 22 – RESTATEMENTS

NEW GASB STATEMENTS

Effective July 1, 2014, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense.

As a result of the implementation, net position as of July 1, 2014 was restated to include the following:

Deferred outflow (deferred pension expense)	$	5,780,205
Net pension obligation		98,796,559
Unrestricted net position		(93,016,354)

Net position as of July 1, 2013 was not restated because the information needed to make the restatement was not provided.

OTHER RESTATEMENTS

The University evaluated the reporting of unspent state appropriations for the fiscal year ended June 30, 2014 and determined that the University had right to certain funds. Therefore the following balances were restated as of and for the year ended June 30, 2014:

Accounts receivable	$	7,294,093
Restricted net position - capital projects		4,084,256
State appropriations		106,272
Capital appropriations		3,103,565

The University evaluated the reporting of certain cash and investments held at KU Endowment during the fiscal year ended June 30, 2014, and determined that the University did not have ownership to these assets. Therefore the following balances were restated as of and for the year ended June 30, 2014:

Cash	$	(1,908,120)
Investments		(1,721,684)
Beginning unrestricted net position		(1,374,521)
Other operating expense		(64,893)
Investment income		(228,870)
Other nonoperating expense		2,091,306

The University evaluated the recording of tuition and fees collected in advance for courses that had not been fully completed by the end of the fiscal year, and determined that the University should adjust the revenue recognized on courses which span fiscal year end. Therefore the following balances were restated as of and for the year ended June 30, 2014:

Prepaid expenses and other assets	$	(3,285,021)
Deferred revenue		(8,970,025)
Beginning unrestricted net position		5,155,962
Tuition and fees		596,516
Instruction expense		(67,474)

The University evaluated the accounting performed when receivables were collected during the fiscal year ended June 30, 2013 and determined that the University needed to adjust the error in recording the collection of the receivable. Therefore the following balances were restated as of and for the year ended June 30, 2014:

Accounts receivable	$	4,073,967
Other operating revenue		4,073,967


KU THE UNIVERSITY OF KANSAS

APPENDIX B — THE UNIVERSITY OF KANSAS

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GENERAL INFORMATION

Overview

Original Section 7 of Article 6 of the Constitution of the State of Kansas* states that "provision shall be made by law for the establishment, at some eligible and central point, of a state university, for the promotion of literature and the arts and sciences, including normal and agricultural department." Acting under this constitutional authority, in 1864 the State Legislature organized the University of Kansas (the "University") at Lawrence. The Kansas Board of Regents, which also governs five other State universities, is the governing board for the University. See "**GOVERNANCE AND ADMINISTRATION – Governing Board**" herein. A major comprehensive research and teaching university, the University is the only one of the Kansas Board of Regents universities to hold membership in the prestigious Association of American Universities, a select group of 60 United States and 2 Canadian public and private research universities that represents excellence in graduate and professional educational and the highest achievements in research internationally. Dr. Bernadette Gray-Little began her appointment as Chancellor of the University on August 15, 2009. She is assisted by Dr. Jeffrey S. Vitter, Executive Vice Chancellor/Provost for the Lawrence campus (through December 31, 2015) and Dr. Sara Thomas Rosen, Interim Executive Vice Chancellor/Provost for the Lawrence campus (from January 1, 2016) and Dr. Douglas A. Girod, Executive Vice Chancellor for the Medical Center (as herein described). See "**GOVERNANCE AND ADMINISTRATION – University Administration**" herein.

The University's main campus occupies approximately 1,000 acres with over 100 major buildings on and around Mount Oread, in Lawrence. The Edwards Campus, formerly called the Regents Center, sits on 36 acres of land in Overland Park, Kansas. The Medical Center is the health care campus of the University. The Medical Center consists of the School of Medicine, with campuses in Kansas City, Wichita and Salina, the Schools of Nursing and Health Professions, Graduate Schools and various support units for the entire academic health care enterprise. The Medical Center's associated revenues, expenses and net assets are reported as part of the University's consolidated financial report included in Appendix A to this Official Statement.

The University confers bachelor, master, doctorate and professional degrees. Students can select from nearly 100 major courses of study offered in 14 academic divisions: the College of Liberal Arts and Sciences; the Schools of Health Professions, Architecture Design and Planning, Business, Education, Engineering, Journalism and Mass Communication, Law, Medicine, Nursing, Pharmacy, Music and Social Welfare; and the Graduate School. The University ranks 31st among American public universities in the number of freshmen National Merit Scholars enrolled. In 2014-15, the University conferred 28.2% of the bachelor's degrees, 28.5% of the master's degrees, 61.1% of the doctorate-research/scholarship degrees and 77.5% of the doctorate-professional practice degrees (*i.e.*, pharmacy, audiology, physical therapy, law, and medicine) granted by the universities under the jurisdiction of the Kansas Board of Regents.

The distinguished faculty has received national awards from such prestigious professional and research organizations as the American Academy in Rome, the National Aeronautics and Space Administration, the National Institutes of Health, the National Endowment for the Arts, the National Endowment for the Humanities and the National Science Foundation. Grant and contractual revenue in the fiscal year ended June 30, 2015 exceeded $283 million.

Enrollment at the University for the fall semester of 2015 was 28,091 and the University employs an estimated 9,600 full-time equivalent faculty and staff.

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* References in this Appendix B to the "State" means the State of Kansas unless otherwise indicated.

The operating budget of the University is funded primarily through a combination of State appropriations (the primary source of which is State tax dollars), tuition and fees and other restricted fees and grants. In fiscal year 2015, University revenues were approximately $1.3 billion, 20.4% of which was funded from State appropriations and 22.9% from tuition and fees. See "**FINANCIAL INFORMATION OF THE UNIVERSITY – State Appropriations and the Budget Process**" herein.

In 1905, three proprietary medical schools in Kansas City combined under the control of the University. Today, the University's Medical Center, with campuses at Kansas City, Wichita and Salina serving over 3,380 students during the fall semester of 2015, is the region's foremost institution for the training of health care professionals. On October 1, 1998, the University's Medical Center divided into a separate Medical Center, whose mission is the education of health care professionals, research, service, and patient care, and an independent Hospital Authority, which is an instrumentality of the State of Kansas and whose mission is to support the education, research, and public service activities of the University Medical Center, to provide patient care and specialized services, and to provide care for medically indigent citizens of the state of Kansas. The Hospital Authority at the Medical Center with operating revenue of approximately $1.5 billion serves as the State's premier tertiary care center.

Website Information

The University maintains public websites on which it periodically posts certain financial and other information, including annual financial reports of the University (available at https://financial-reporting-services.ku.edu/) and information regarding the University's strategic planning process (available at http://boldaspirations.ku.edu/). None of the information included on these websites, or on the University's websites generally, is incorporated by reference into this Official Statement.

FINANCIAL INFORMATION OF THE UNIVERSITY

Overview

The fiscal operations of the University constitute an extensive business operation. Information is presented both for the Lawrence and Edwards campuses and the University of Kansas Medical Center campuses in Kansas City, Salina, and Wichita. State appropriations for University operations from the State General Fund and tuition and fee revenues are the two main sources of funds for general University operations. The total operating budget for the University, excluding capital improvements, for the fiscal year ending June 30, 2016 is $1.2 billion. The total revenues for the University, including Federal grants and contracts, auxiliary enterprises, and capital appropriations and gifts for the fiscal year ending June 30, 2015 was approximately $1.3 billion.

State appropriations account for approximately 21% of the University's total revenue based on the Fiscal Year (FY) 2016 budget. At the end of the 2015 legislative session, FY 2016 State General Fund appropriations were $246.7 million which was approximately 0.8% more than FY 2015 adjusted appropriations. FY 2017 State General Fund appropriations are $253.6 million or approximately 2.8% more than FY 2016 to account for the cost of an additional pay period in FY 2017. See "**State Appropriations and the Budget Process**" for information on the process for requesting State appropriations.

Tuition and fee revenue accounts for approximately 27% of the University's total revenue based on the FY 2016 budget. For FY 2016, the Legislature imposed a cap on tuition increases for fiscal years 2016 and 2017. The cap is set at 2% above the CPI and, for FY 2016 was calculated at 3.6%. The University has, up until 2015, required all first time freshmen to be part of a "Tuition Compact," which provides first-time freshmen a fixed rate of tuition for four years. Because of the University's Tuition Compact, 65% of returning University undergraduates did not have a tuition increase. Beginning with the fall 2015 semester, incoming first time freshmen were given the option of the Tuition Compact or the standard tuition rate. Approximately 18% of the eligible students opted to participate in the Tuition Compact with the remaining 82% choosing the lower standard tuition rate. The University believed it was important to give students a choice between the Tuition Compact and standard rate tuition and planned for the resulting reduction in tuition revenue. Ultimately the University will have more flexibility in managing its tuition increases, which will allow the University to target overall lower tuition increases and will improve the University's overall marketability. Tuition rates for FY 2017 will be considered by the Board of Regents in its May 2016 meeting with final action in June 2016.

Sponsored research funding is also a critical component of the University's budget, accounting for approximately 22% of budgeted revenue based on the FY 2016 budget. The total expenditures for sponsored research for Fiscal Year 2015 were $238.7 million. For Fiscal Year 2015, the Federal government was the source of 75.2% of all grants and contracts. Non-profit organizations provided approximately 10.7% of total grants and contracts.

Other significant sources of revenue include revenues from auxiliary operations including athletics revenue as reported in All Other Auxiliary and Housing and Parking Revenues. See the tables under the captions "**University Funds Available for Base Lease Payments to KUCDC**" and "**KDFA Revenue Bonds Issued for the University and its Affiliated Entities**."

The University budget is prepared incrementally based on anticipated revenues and known cost increases. Debt service obligations are accounted for and funded before other expenditures. The University budget is prepared on fund accounting basis with a number of self-balancing funds. Each fund must generate sufficient revenue to cover expenses. The primary sources of funds to support the educational programs (instruction, academic support, student services and institutional support) are the State appropriations and tuition. The resource planning process focuses on these two important funding sources.

Description of the University of Kansas Resource Planning Process

Through its resource planning process, the University ensures that its prioritized investments are being made to progress toward its goals within its *Bold Aspirations* strategic plan. The budget is central to the University's ability to achieve and advance the mission of the University. The University's Lawrence campus budget and the University's Medical Center budget are both developed through similar processes, following guidance from University administration. Throughout the year, the Chancellor and the Chief Financial Officer meet with the Executive Vice Chancellor/Provost and the campus financial officer to review the status of the campus budgets. The processes described below culminate with review and approval by the Chief Financial Officer and the Chancellor. The specific process for each budget is as follows:

> ***Lawrence Campus***. Resource planning begins in the fall and continues throughout the year. In the fall, the Vice Provost for Administration and Finance meets with each Dean, Vice Provost and major unit director to discuss how the prior year ended and the current priorities for resources for the fiscal year and beyond.
>
> Each spring, the Provost requests a formal budget and planning report submittal from each major unit. The Provost and Vice Provost for Administration and Finance conduct budget and resource planning meetings throughout the spring with each Dean, Vice Provost

and major unit director to discuss priorities, planning, budget and staffing. A member of the Governance Committee on Planning and Resources also attends each meeting and reports back to University governance.

In addition, the Tuition Advisory Committee meets throughout the spring to outline and recommend priorities for the tuition proposal to the Board of Regents. The membership of the Tuition Advisory Committee consists largely of students and faculty.

Regular monthly meetings are held throughout the year by the Provost for the Deans and another for the Deans and Vice Provosts to discuss relevant topics related to University priorities, budget and planning.

Medical Center. At the Medical Center, resource planning occurs throughout the year. The Executive Vice Chancellor's leadership team, which includes Deans and Vice Chancellors for Administration, Finance and Research, meets regularly to discuss topics related to University priorities, budget, and planning.

Each spring, finance officers in the School of Medicine, School of Nursing, and School of Health Professions begin considering funding requests from department chairs and program leaders for the next fiscal year. These finance officers meet with the director of each major unit to discuss priorities, planning, budget and staffing. Finance officers elevate requests for new funding as necessary, so that the Executive Vice Chancellor's team can systematically evaluate and prioritize requests.

In addition, the Tuition Advisory Committee meets all spring to outline and recommend priorities for the tuition proposal to the Board of Regents. The membership of the Tuition Advisory Committee consists of students, faculty, and administrators.

Annual Financial Report

The University of Kansas is one of six universities operated under the direction of the Kansas Board of Regents. An independent single audit of the State of Kansas includes the operations of the Regents institutions. The University prepares an Annual Financial Report each year, which is not currently audited and is not expected to be audited in the future. This Annual Financial Report is prepared by the Comptroller of the University for delivery to the Chief Business and Financial Planning Officer and the University Chancellor, who transmits it to the Chairperson of the Kansas Board of Regents.

The University of Kansas Annual Financial Report for the fiscal year ended June 30, 2015 is attached as Appendix A to this Official Statement. *This financial information is provided for background information only. Not all revenues of the University are available for the University to use to pay Base Lease Payments to KUCDC, which Base Lease Payments are the source of payment of debt service on the Series 2016 Bonds. Certain revenues of the University are restricted from use to pay debt service on any obligations of the University, including the Base Lease Payments. In addition, a portion of the revenues of the University pledged to the payment of the University's obligations for debt service on certain other revenue bonds (described at the caption "KDFA Revenue Bonds Issued for the University and its Affiliated Entities" below) are* ***not*** *available for the payment of Base Lease Payments. The obligations of the University to make Base Lease Payments under the Sublease with respect to the Series 2016 Bonds are unsecured obligations of the University and the Series 2016 Bonds are not secured by a pledge of University revenues from any source.* See the captions "**University Funds Available for Base Lease**

Payments to KUCDC" and "**KDFA Revenue Bonds Issued for the University and its Affiliated Entities**" below.

State Appropriations and the Budget Process

The obligations of the University to make the Base Lease Payments to KUCDC under the Sublease are not secured by any pledge of State appropriations, and such appropriations may not in any event be applied to debt service on the Series 2016 Bonds. Information regarding State appropriations to the University is included in this Appendix B as a part of the overall description of the University, and is not intended to indicate and does not indicate that such State appropriations would be available for the payment of Base Lease Payments.

The State of Kansas operates on a fiscal year basis, beginning on July 1 and ending the following June 30, and numbered for the calendar year in which it ends. The Legislature meets annually in early January and typically adjourns in May. The budget process is designed to provide the Legislature with accurate and detailed revenue projections, along with professionally prepared expenditure budgets for each State agency for the current and succeeding fiscal years.

The Higher Education Coordination Act provides that the Kansas Board of Regents shall "serve as the representative of the public postsecondary educational system before the Governor and the Kansas Legislature." K.S.A. 74-3202c(b)(2). This provision provides the foundation for an approach to state funding that reflects the recurring theme of maintaining a unified state budget request for new resources and a system wide focus on requesting and advocating for increases in State General Fund appropriations for public postsecondary education.

In September of each year, the Kansas Board of Regents submits the unified budget request to the Department of Administration, Division of the Budget, that reflects increases (or decreases) to the budget for operating grants and enhancements for each of the six universities governed by the Board of Regents. In September, the state universities also submit a budget request document for their base budget to the Department of Administration, Division of the Budget, for the succeeding fiscal year. Professional staff at the Division of the Budget analyzes and reviews the budget requests of the universities and other State agencies and presents the budgets to the Governor for preliminary gubernatorial approval. The Governor then presents a complete State budget, with funding recommendations, to the Legislature in January, during the first week of the legislative session.

During the legislative session, both the Senate Ways and Means Committee and the House Appropriations Committee review individual agency budgets, including the state universities, making final recommendations for legislative approval. Staff support for the Legislature also includes professional budget analysts who again scrutinize the proposed budgets.

Once the complete, proposed State budget is approved by the Legislature, it is again presented to the Governor for passage into law. The Governor has line-item veto power. The Governor's veto can only be overridden by a two-thirds majority vote of both the House and Senate. This portion of the budget process is completed prior to the beginning of the succeeding fiscal year.

The Kansas Constitution mandates that budgeted expenditures are limited to available funds from current revenue, or a combination of current revenue and available reserves. Once the budget is approved by the Legislature and Governor, State agencies, including the universities, have flexibility within their particular budgets to change line item amounts appropriately to compensate for necessary modifications due to internal or external reasons. This flexibility allows State agencies to react appropriately to either revenue variances or changing operational needs.

During the fiscal year for which the budget has been prepared, the Governor and Legislature review the budget in progress and have the ability to make necessary adjustments. Continuous expenditure review is performed by each university and other State agencies, as well as by the Department of Administration. Also, current State General Fund revenues are monitored by the Department of Administration, Division of the Budget; Department of Revenue; the Legislative Research Department; the Governor; and three economists from the State's three largest Board of Regents' universities to insure fiscal responsibility. An executive branch allotment system is applicable to reduce expenditures under certain circumstances for any fiscal year in which the resources of the State General Fund or any special revenue fund appear likely to be insufficient to cover appropriations.

In 2013, the Governor recommended and the Legislature adopted a two year budget. In 2015, appropriations were approved for fiscal years 2016 and 2017. In 2016, the Governor and Legislature will consider proposed amendments to the appropriations for those years. Appropriations of the Legislature are required before the University can spend any money from the State treasury. See the caption "**FINANCIAL INFORMATION OF THE UNIVERSITY - Overview**" above.

The following table sets forth a comparison of State appropriations to tuition and fees and other revenue sources for the five most recent fiscal years and the current fiscal year for the University.

University of Kansas
Comparison of State Appropriations to Tuition and Fees and Other Revenue Sources
FY 2011 – FY 2016

	Revenue in Dollars				**As a % of Total Revenue**		
Fiscal Year Ended June 30	**State Appropriations**(1)	**Tuition & Fees**(2)	**All Other Sources**	**Total Revenues**	**State Appropriations**	**Tuition & Fees**	**All Other Sources**
2011	$264,155,468	$236,846,895	$644,277,637	$1,145,280,000	23.06%	20.68%	56.26%
2012	252,157,172	249,767,082	651,135,092	1,153,059,346	21.87%	21.66%	56.47%
2013	257,998,857	259,656,218	655,895,917	1,173,550,992	21.98%	22.13%	55.89%
2014(3)	258,940,739	273,856,114	667,625,940	1,200,422,793	21.57%	22.81%	55.62%
2015	258,076,520	289,104,231	718,075,420	1,265,256,171	20.40%	22.85%	56.75%
2016(4)	257,768,207	326,665,707	631,024,668	1,215,458,582	21.21%	26.88%	51.92%

Source: University Comptroller's Office
(1) Includes State appropriations for operations and Capital Appropriations for rehabilitation and repair.
(2) FY 2011 through 2015 includes tuition, course fees and student fees net of scholarship allowances.
(3) 2014 amounts reflect reclassifications and restatements made to financial statements at end of fiscal year 2015 for reporting consistency.
(4) 2016 amounts are budgeted. The University does not budget for non-operating revenues (e.g. capital grants and gifts, investment income, additions to permanent endowments, etc. that are outside of the University's control.)

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University Funds Available for Base Lease Payments to KUCDC

The obligation of the University to make Base Lease Payments under the Sublease with respect to the Series 2016 Bonds is an unsecured obligation of the University, payable only from revenues of the University that are available for such purpose. **The revenues of the University available for the payment of Base Lease Payments under the Sublease do not include Restricted Revenues (hereafter defined) or moneys from State appropriations to the University. The revenues of the University, including but not limited to the revenues available for the payment of Base Lease Payments, are also used to pay operating expenses of the University and all other expenditures of the University, as described in the University's Annual Financial Report for the fiscal year ended June 30, 2015, attached as Appendix A to this Official Statement.**

Presented below are tables that set forth the revenue budget for fiscal year 2016 and the actual revenues for the years ending June 30, 2015 and 2014, modified to identify certain funds that are not available for payment by the University of Base Lease Payments to KUCDC. For the years ending June 30, 2015 and 2014, these tables are included for historical informational purposes only, as the Series 2016 Bonds had not been issued and were not outstanding in such years, and thus no debt service was payable on the Series 2016 Bonds in such years.

The tables below should be read in conjunction with the University's Annual Financial Report for the fiscal year ended June 30, 2015, attached as Appendix A to this Official Statement.

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University of Kansas (including affiliated corporations)
Funds Available for Base Lease Payments to KUCDC
Year Ended June 30, 2016 (Budget)

	Total Revenues	Restricted Revenues[1]	Remaining Revenues
Tuition and Fees	$326,665,707	$12,206,655	$314,459,052
State Appropriations[2]	257,768,207	31,492,888	226,275,319
Local Appropriations	11,200,000	11,200,000	--
Sales and Services	92,242,909	8,098,192	84,143,898
Gifts	36,779,339	--	36,779,339
Grants and Contracts (Federal, State & Nongovernmental) [3]	272,079,634	272,079,634	--
Auxiliaries:			
Housing [4]	25,325,87	21,211,792	4,114,195
Parking [4]	15,419,876	14,445,755	974,121
All Other Auxiliaries	145,859,645	145,859,645	--
Other Revenues[3]	32,118,197	14,723,327	17,394,870
Subtotal	$1,215,458,582	$531,317,788	$684,140,794
Less: State Appropriations			(226,275,319)
Total University Funds Available for Base Lease Payments to KUCDC			$457,865,475

(1) These amounts have been identified by the University as Restricted Revenues as defined in the respective debt instruments for the hereinafter-defined KDFA Revenue Bonds in which debt instruments the term "Bonds" refers to the applicable series of KDFA Revenue Bonds, not to the Series 2016 Bonds. In such debt instruments, "Restricted Revenues" means (i) fees, funds and revenues restricted to a use other than payment of debt service on the applicable series of KDFA Revenue Bonds by enactment of the Kansas Legislature, (ii) fees, funds and revenues specifically pledged to secure the payment of revenue obligations of the Board of Regents or the University that are not available for payment of debt service on the applicable series of KDFA Revenue Bonds and (iii) gifts, fees and other revenues restricted to a use other than payment of debt service on the applicable series of KDFA Revenue Bonds by the donor, the Board of Regents or the University. See "**KDFA Revenue Bonds Issued for the University and its Affiliated Entities**" below.

(2) Includes State Appropriations for operations and Capital Appropriations for rehabilitation and repair of $11,054,800.

(3) Includes operating and non-operating revenues. The University does not budget for non-operating revenues (e.g. Capital grants and gifts, investment income, additions to permanent endowments, etc. that are outside of the University's control.)

(4) University revenues pledged to specific bonds (such as housing and parking revenues) are budgeted as Restricted Revenues. Principal & interest payments for housing & parking bonds supported by Remaining Revenues are budgeted as Remaining Revenues. Any funds transferred to a surplus fund that permits use of moneys for any lawful purpose, such excess portion of the revenues transferred to the surplus fund are presented as Remaining Revenues. No excess revenues are budgeted to be transferred to the surplus fund.

University of Kansas (including affiliated corporations)
Funds Available for Base Lease Payments to KUCDC
Year Ended June 30, 2015

	Total Revenues	Restricted Revenues[1]	Remaining Revenues
Tuition and Fees (net of scholarship allowances of $29,287,861)	$289,104,231	$6,689,438	$282,414,793
State Appropriations[2]	258,076,520	28,695,004	229,381,516
Local Appropriations	10,954,000	10,954,000	--
Sales and Services	94,650,186	6,445,471	88,204,715
Other Operating Revenues	3,086,097	2,664,536	421,561
Gifts	56,306,031	5,845,355	50,460,676
Grants and Contracts (Federal, State & Nongovernmental) [3]	283,094,892	283,094,892	--
Auxiliaries:			
Housing[4]	25,044,309	16,956,134	8,087,175
Parking[4]	13,207,675	10,570,026	2,637,649
All Other Auxiliaries	135,894,510	135,894,510	--
Other Non-Operating Revenues	95,837,720	95,837,720	--
Subtotal	$1,265,256,171	$603,648,086	$661,608,085
Less: State Appropriations			(229,381,516)
Total University Funds Available for Base Lease Payments to KUCDC			$432,226,569

(1) These amounts have been identified by the University as Restricted Revenues as defined in the respective debt instruments for the hereinafter-defined KDFA Revenue Bonds in which debt instruments the term "Bonds" refers to the applicable series of KDFA Revenue Bonds, not to the Series 2016 Bonds. In such debt instruments, "Restricted Revenues" means (i) fees, funds and revenues restricted to a use other than payment of debt service on the applicable series of KDFA Revenue Bonds by enactment of the Kansas Legislature, (ii) fees, funds and revenues specifically pledged to secure the payment of revenue obligations of the Board of Regents or the University that are not available for payment of debt service on the applicable series of KDFA Revenue Bonds and (iii) gifts, fees and other revenues restricted to a use other than payment of debt service on the applicable series of KDFA Revenue Bonds by the donor, the Board of Regents or the University. See "**KDFA Revenue Bonds Issued for the University and its Affiliated Entities**" below.

(2) Includes State Appropriations for operations and Capital Appropriations for rehabilitation and repair of $13,342,000.

(3) Includes operating and non-operating revenues.

(4) To the extent University revenues pledged to specific bonds (such as housing and parking revenues) are transferred to a surplus fund that permits use of moneys for any lawful purpose, such excess portion of the revenues transferred to the surplus fund are presented as Remaining Revenues.

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University of Kansas (including affiliated corporations)
Funds Available for Base Lease Payments to KUCDC
Year Ended June 30, 2014

	Total Revenues	Restricted Revenues[1]	Remaining Revenues
Tuition and Fees (net of scholarship allowances of $26,293,984)	$273,856,114	$7,723,741	$266,132,373
State Appropriations[2]	258,940,739	32,253,848	226,686,891
Local Appropriations	10,615,600	10,615,600	--
Sales and Services	90,333,544	6,644,756	83,688,78
Other Operating Revenues	16,281,458	6,925,139	9,356,319
Gifts	50,725,239	8,599,446	42,125,793
Grants and Contracts (Federal, State & Nongovernmental) [3]	289,389,100	289,389,100	--
Auxiliaries:			
Housing[4]	24,575,542	17,815,597	6,759,945
Parking[4]	13,292,424	10,170,523	3,121,901
All Other Auxiliaries	132,539,248	132,539,248	--
Other Non-Operating Revenues	39,873,785	39,873,785	--
Subtotal	$1,200,422,793	$562,550,782	$637,872,011
Less: State Appropriations			(226,686,891)
Total University Funds Available for Base Lease Payments to KUCDC			$411,185,120

(1) These amounts have been identified by the University as Restricted Revenues as defined in the respective debt instruments for the hereinafter-defined KDFA Revenue Bonds in which debt instruments the term "Bonds" refers to the applicable series of KDFA Revenue Bonds, not to the Series 2016 Bonds. In such debt instruments, "Restricted Revenues" means (i) fees, funds and revenues restricted to a use other than payment of debt service on the applicable series of KDFA Revenue Bonds by enactment of the Kansas Legislature, (ii) fees, funds and revenues specifically pledged to secure the payment of revenue obligations of the Board of Regents or the University that are not available for payment of debt service on the applicable series of KDFA Revenue Bonds and (iii) gifts, fees and other revenues restricted to a use other than payment of debt service on the applicable series of KDFA Revenue Bonds by the donor, the Board of Regents or the University. See "**KDFA Revenue Bonds Issued for the University and its Affiliated Entities**" below.

(2) Includes State Appropriations for operations and Capital Appropriations for rehabilitation and repair of $13,844,050.

(3) Includes operating and non-operating revenues.

(4) To the extent University revenues pledged to specific bonds (such as housing and parking revenues) are transferred to a surplus fund that permits use of moneys for any lawful purpose, such excess portion of the revenues transferred to the surplus fund are presented as Remaining Revenues.

KDFA Revenue Bonds Issued for the University and its Affiliated Entities

General Description of KDFA Revenue Bonds. The Kansas Development Finance Authority ("KDFA") has issued several series of revenue bonds for the benefit of the University or of an affiliated entity of the University (the "KDFA Revenue Bonds").

Pursuant to a pledge agreement, loan agreement or other instrument, the University has pledged its Revenues (defined as follows) to the payment of debt service with respect to the KDFA Revenue Bonds. The term "Revenues" is defined in certain of the debt instruments for the KDFA Revenue Bonds, as is the related term "Restricted Revenues." "Revenues" consist of all revenues of the University, excluding Restricted Revenues. "Restricted Revenues" means (i) fees, funds and revenues restricted to a use other than payment of debt service on the applicable series of KDFA Revenue Bonds by enactment of the Kansas Legislature, (ii) fees, funds and revenues specifically pledged to secure the payment of revenue obligations of the Board of Regents or the University that are not available for payment of debt service on the applicable series of KDFA Revenue Bonds and (iii) gifts, fees and other revenues restricted to a use other than payment of debt service on the applicable series of KDFA Revenue Bonds by the donor, the Board of Regents or the University. In other KDFA Revenue Bond debt instruments where another dedicated source of revenue is pledged to pay debt service on the applicable series of KDFA Revenue Bonds and where general University revenues will be used to pay such debt service if needed, the terms "Revenues" and "Restricted Revenues" may not be defined and thus there may not be a specific pledge of "Revenues" made or referenced in such other debt instruments. However, the agreement in such other debt instruments to use general University revenues (sometimes referenced in such debt instruments as "unrestricted revenues") to pay debt service if the primary pledged revenue source is insufficient to make required payments on the applicable series of KDFA Revenue Bonds means that the debt service obligations described in such debt instruments are similarly payable from Revenues. The terms "Revenues" and "Restricted Revenues" are used in the following descriptions of the KDFA Revenue Bonds and in the following tables.

Additional information regarding outstanding long-term debt obligations of the University, including the KDFA Revenue Bonds, is set forth in the University of Kansas Annual Financial Report for the fiscal year ended June 30, 2015 in Appendix A to this Official Statement.

Subsequent to June 30, 2015, the University has not incurred any additional long-term obligations, other than the Series 2016 Bonds described in this Official Statement.

KDFA Revenue Bonds Payable from Revenues Pledged. KDFA Revenue Bonds payable from the Revenues include the following:

General Revenue Pledges:

Series 2010B Bonds. The $21,650,000 original principal amount of Kansas Development Finance Authority Revenue Bonds, Series 2010B (University of Kansas Energy Conservation Program) (the "Series 2010B Bonds") were issued on January 28, 2010. Debt service on the Series 2010B Bonds is payable from the Revenues pledged by the University.

Series 2010K Bonds. The $7,860,000 original principal amount of Kansas Development Finance Authority Revenue Bonds, Series 2010K-1 (University of Kansas Projects) (the "Series 2010K-1 Bonds") and $7,190,000 original principal amount of Kansas Development Finance Authority Revenue Bonds, Series 2010K-2 (University of Kansas Projects) (Build America Bonds – Direct Payment to Issuer) (the "Series 2010K-2 Bonds" and, together with the Series

2010K-1 Bonds, the "Series 2010K Bonds") were issued on May 12, 2010. Debt service on the Series 2010K Bonds is payable from the Revenues pledged by the University.

Series 2011C Bonds. The $13,450,000 original principal amount of Kansas Development Finance Authority Revenue Bonds, Series 2011C (University of Kansas Housing System Project) (the "Series 2011C Bonds") were issued on May 18, 2011. Debt service on the Series 2011C Bonds is payable from the Revenues pledged by the University.

Series 2012D Bonds. The $49,200,000 original principal amount of Kansas Development Finance Authority Refunding Revenue Bonds, Series 2012D (University of Kansas Projects) (the "Series 2012D Bonds") were issued on March 7, 2012. Debt service on the Series 2012D Bonds is payable from the Revenues pledged by the University.

Series 2013G Bonds. The $74,370,000 original principal amount of Kansas Development Finance Authority Revenue Bonds, Series 2013G-1 (University of Kansas School of Engineering Project) (the "Series 2013G-1 Bonds") and $2,965,000 original principal amount of Kansas Development Finance Authority Refunding Revenue Bonds, Series 2013G-2 (University of Kansas Medical Center Project) (the "Series 2013G-2 Bonds" and, together with the Series 2013G-1 Bonds, the "Series 2013G Bonds") were issued on October 29, 2013. Debt service on the Series 2013G-1 Bonds is payable from the KU-Kan Grow revenues and Unrestricted Revenues pledged by the University (as defined in the Bond Resolution for the Series 2013G Bonds). The University anticipates receiving KU-Kan Grow revenues in the amount of $3,500,000 each year for fiscal years 2014 through 2021 as provided in K.S.A. 74-8768(b). Debt service on the Series 2013G-2 Bonds is payable from the Unrestricted Revenues pledged by the University. For purposes of the Series 2013G Bonds, Unrestricted Revenues means all revenues except Restricted Revenues.

Series 2014B Bonds. The $2,423,400 original principal amount of Kansas Development Finance Authority Revenue Bonds, Series 2014B (University of Kansas Medical Center Energy Conservation Project) (the "Series 2014B Bonds") were issued on March 12, 2014. Debt service on the Series 2012D Bonds is payable from the Revenues pledged by the University.

Series 2014C Bonds. The $56,655,000 original principal amount of Kansas Development Finance Authority Revenue Bonds, Series 2014C (University of Kansas Projects) (the "Series 2014C Bonds") were issued on June 19, 2014. Debt service on the Series 2014C Bonds is payable from the Revenues pledged by the University.

Contingent Revenue Obligations:

Series 2009O Bonds. The $55,250,000 original principal amount of Kansas Development Finance Authority Lease Revenue Bonds, Series 2009O (University of Kansas Hospital Authority Medical Office Building Project – University of Kansas, Tenant) (the "Series 2009O Bonds") were issued on December 16, 2009 on behalf of the University of Kansas Hospital Authority. Debt service on the Series 2009O Bonds is payable from revenues of the University of Kansas Hospital Authority from lease payments made by the University from unrestricted revenues of the University.

Series 2010A Bonds. The $23,700,000 original principal amount of Kansas Development Finance Authority Revenue Bonds, Series 2010A (Kansas Board of Regents - University of Kansas – Housing System Project) (the "Series 2010A Bonds") were issued on

January 28, 2010. Debt service on the Series 2010A Bonds is payable from gross revenues of the housing system with a supplemental pledge of Revenues by the University.

Series 2010N Bonds. The $30,160,000 original principal amount of Kansas Development Finance Authority Revenue Bonds (University of Kansas Medical Center Research Institute, Inc. Project) Series 2010N (the "Series 2010N Bonds") were issued on October 14, 2010. Debt service on the Series 2010N Bonds is payable from revenues of the University of Kansas Medical Center Research Institute, Inc. ("KUMCRI"). The University covenanted to make available the unrestricted revenues of the University to pay debt service on the Series 2010N Bonds if revenues of KUMCRI are not sufficient to pay such debt service. However, the expected source of payment of the Series 2010N Bonds is revenues of KUMCRI, which revenues are reported in the consolidated financial report of the University included in Appendix A to this Official Statement.

Series 2012E Bonds. The $14,075,000 original principal amount of Kansas Development Finance Authority Refunding Revenue Bonds (University of Kansas Center for Research, Inc. Project) Series 2012E-1 and the $15,600,000 original principal amount of Kansas Development Finance Authority Taxable Refunding Revenue Bonds (University of Kansas Center for Research, Inc. Project) Series 2012E-2 (collectively, the "Series 2012E Bonds") were issued on March 15, 2012. Debt service on the Series 2012E Bonds is payable from revenues of the University of Kansas Center for Research, Inc. ("KUCR"). The University covenanted to make available the unrestricted revenues of the University to pay debt service on the Series 2012E Bonds if revenues of KUCR are not sufficient to pay such debt service. However, the expected source of payment of the Series 2012E Bonds is revenues of KUCR, which revenues are reported in the consolidated financial report of the University included in Appendix A to this Official Statement.

Series 2014E Bonds. The $10,580,000 original principal amount of Kansas Development Finance Authority Refunding Revenue Bonds (University of Kansas Center for Research, Inc. Project) Series 2014E (the "Series 2014E Bonds") were issued on June 19, 2014. Debt service on the Series 2014E Bonds is payable from revenues of KUCR. The University covenanted to make available the unrestricted revenues of the University to pay debt service on the Series 2014E Bonds if revenues of KUCR are not sufficient to pay such debt service. However, the expected source of payment of the Series 2014E Bonds is revenues of KUCR, which revenues are reported in the consolidated financial report of the University included in Appendix A to this Official Statement.

Debt Service Payable on KDFA Revenue Bonds. The following table sets forth a schedule of the annual debt service payable on the KDFA Revenue Bonds, that is, on the Series 2009O Bonds, the Series 2010A Bonds, the Series 2010B Bonds, the Series 2010K Bonds, the Series 2010N Bonds, the Series 2011C Bonds, the Series 2012D Bonds, the Series 2012E Bonds, the Series 2013G Bonds, the Series 2014B Bonds, the Series 2014C Bonds and the Series 2014E Bonds described above.

KDFA REVENUE BONDS [1]

Fiscal Year Ending June 30,	General Revenue Pledge[2]	Contingent Revenue Obligations[3]	Total Debt Service Requirements
2014	$ 9,121,901.53	$10,915,453.76	$20,037,355.29
2015	13,300,207.36	11,674,988.76	24,975,196.12
2016	16,750,869.92	11,698,953.76	28,449,823.68
2017	18,277,696.64	11,730,003.76	30,007,700.40
2018	18,286,963.73	12,521,703.76	30,808,667.49
2019	18,314,344.51	10,748,103.76	29,062,448.27
2020	17,683,058.77	10,786,303.76	28,469,362.53
2021	18,109,802.52	10,413,493.76	28,523,296.28
2022	17,437,715.02	11,163,123.76	28,600,838.78
2023	17,456,562.52	11,199,733.76	28,656,296.28
2024	16,925,221.28	11,302,291.26	28,227,512.54
2025	16,746,743.78	11,336,588.76	28,083,332.54
2026	15,719,192.53	7,216,543.76	22,935,736.29
2027	14,652,752.53	7,253,905.02	21,906,657.55
2028	15,174,743.76	5,975,611.26	21,150,355.02
2029	15,157,888.76	6,018,655.00	21,176,543.76
2030	10,352,625.00	6,059,746.25	16,412,371.25
2031	9,312,818.76	3,791,837.50	13,104,656.26
2032	9,303,993.76	3,833,087.50	13,137,081.26
2033	9,299,543.76	3,877,650.00	13,177,193.76
2034	9,288,540.00	3,919,850.00	13,208,390.00
2035	9,281,902.50	3,964,450.00	13,246,352.50
2036	8,756,000.00	4,015,975.00	12,771,975.00
2037	7,887,500.00	4,058,712.50	11,946,212.50
2038	7,882,875.00	4,106,200.00	11,989,075.00
2039	2,730,000.00	4,153,550.00	6,883,550.00
2040	-	4,205,250.00	4,205,250.00
2041	-	4,263,325.00	4,263,325.00
Total	$343,211,463.94	$212,205,091.41	$555,416,555.35

(1) The KDFA Revenue Bonds included in this table are shown gross of any Build America Bond subsidy payments. FY 2014 and FY 2015 debt service information is included for historical informational purposes.

(2) The KDFA Revenue Bonds included in this column (the Series 2010B Bonds, the Series 2010K Bonds, the Series 2011C Bonds, the Series 2012D Bonds, the Series 2013G Bonds, the Series 2014B and the Series 2014C Bonds) are expected to be paid from unrestricted revenues pledged to such payment by the University.

(3) The University has agreed to apply unrestricted revenues to pay debt service on the KDFA Revenue Bonds included in this column (the Series 2009O Bonds, the Series 2010A, the Series 2010N Bonds, the Series 2012E and the Series 2014E Bonds) if needed, but such debt service is expected to be paid from other sources as described above.

Revenues of the University Pledged to Payment of KDFA Bonds. Presented below are tables that set forth the revenue budget for fiscal year 2016 and the actual revenues for the years ending June 30, 2015 and 2014, which are excerpted from the University of Kansas Annual Financial Report for the fiscal year ended June 30, 2015 in Appendix A to this Official Statement.

The following tables include a column captioned "Revenues" which denotes the revenues of the University that are pledged to the payment of the KDFA Revenue Bonds, as defined above. The following tables also include a column captioned "Restricted Revenues" which as defined and described above, denotes revenues that are not pledged to the payment of the University Obligations on KDFA Bonds, although such Restricted Revenues may be pledged to the payment of a specific series of KDFA Revenue Bonds, as indicated in the footnotes to the following tables.

The tables below should be read in conjunction with the University of Kansas Annual Financial Report for the fiscal year ended June 30, 2015, attached as Appendix A to this Official Statement.

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University of Kansas (including affiliated corporations)
Revenues Pledged to Payment of KDFA Revenue Bonds
And Restricted Revenues
Year Ended June 30, 2016 (Budget)

	Total	Restricted Revenues[1]	Revenues[2]
Tuition and Fees	$326,665,707	$12,206,655	$314,459,052
State Appropriations[3]	257,768,207	31,492,888	226,275,319
Local Appropriations[4]	11,200,000	11,200,000	--
Sales and Services	92,242,909	8,098,192	84,143,898
Gifts	36,779,339	--	36,779,339
Grants and Contracts (Federal, State & Nongovernmental) [5][6]	272,079,634	272,079,634	--
Auxiliaries:			
Housing [7]	25,325,87	21,211,792	4,114,195
Parking [7]	15,419,876	14,445,755	974,121
All Other Auxiliaries	145,859,645	145,859,645	--
Other Revenues[6]	32,118,197	14,723,327	17,394,870
Total	$1,215,458,582	$531,317,788	$684,140,794

(1) These amounts are Restricted Revenues.

(2) These amounts are the Revenues pledged by the University pursuant to the applicable agreement for a KDFA Revenue Bond. (These amounts are defined as "Unrestricted Revenues" in the Series 2013G Bond Resolution pledged to the payment of the Series 2013G-1 Bonds and the Series 2013G-2 Bonds, to distinguish such amounts from the term "Revenues" defined in the Series 2013G Bond Resolution which also includes, as to the Series 2013G-1 Bonds only, the KU Kan-Grow Revenues described in note (5) in addition to the Unrestricted Revenues.)

(3) Includes State Appropriations for operations and Capital Appropriations for rehabilitation and repair of $11,054,800.

(4) JCERTA sales tax revenues pledged towards Series 2010M and 2010P Bonds.

(5) This amount includes KU Kan-Grow revenues of $3,500,000 pledged to the payment of the Series 2013G-1 Bonds, which amount is included within the definition of "Revenues" for the Series 2013G-1 Bonds under the Series 2013G Bond Resolution.

(6) Includes operating and non-operating revenues. The University does not budget for non-operating revenues (e.g. Capital grants and gifts, investment income, additions to permanent endowments, etc. that are outside of the University's control.)

(7) University revenues pledged to specific bonds (such as housing and parking revenues) are budgeted as Restricted Revenues. Principal & interest payments for housing & parking bonds supported by Revenues are budgeted as Revenues. Any funds transferred to a surplus fund that permits use of moneys for any lawful purpose, such excess portion of the revenues transferred to the surplus fund are presented as Revenues. No excess revenues are budgeted to be transferred to the surplus fund.

University of Kansas (including affiliated corporations)
Revenues Pledged to Payment of KDFA Revenue Bonds
And Restricted Revenues
Year Ended June 30, 2015

	Total	Restricted Revenues[1]	Revenues[2]
Tuition and Fees (net of scholarship allowances of $29,287,861)	$289,104,231	$6,689,438	$282,414,793
State Appropriations[3]	258,076,520	28,695,004	229,381,516
Local Appropriations[4]	10,954,000	10,954,000	--
Sales and Services	94,650,186	6,445,471	88,204,715
Other Operating Revenues	3,086,097	2,664,536	421,561
Gifts	56,306,031	5,845,355	50,460,676
Grants and Contracts (Federal, State & Nongovernmental) [5] [6]	283,094,892	283,094,892	--
Auxiliaries:			
Housing[7]	25,044,309	16,956,134	8,087,175
Parking[7]	13,207,675	10,570,026	2,637,649
All Other Auxiliaries	135,894,510	135,894,510	--
Other Non-Operating Revenues[5]	95,837,720	95,837,720	--
Total	$1,265,256,171	$603,648,086	$661,608,085

(1) These amounts are Restricted Revenues.

(2) These amounts are the Revenues pledged by the University pursuant to the applicable agreement for a KDFA Revenue Bond. (These amounts are defined as "Unrestricted Revenues" in the Series 2013G Bond Resolution pledged to the payment of the Series 2013G-1 Bonds and the Series 2013G-2 Bonds, to distinguish such amounts from the term "Revenues" defined in the Series 2013G Bond Resolution which also includes, as to the Series 2013G-1 Bonds only, the KU Kan-Grow Revenues described in note (5) in addition to the Unrestricted Revenues.)

(3) Includes State Appropriations for operations and Capital Appropriations for rehabilitation and repair of $13,342,000.

(4) JCERTA sales tax revenues pledged towards Series 2010M and 2010P Bonds.

(5) $2,756,389 of KU Kan-Grow revenue is included in Grants and Contracts and $743,611 KU Kan-Grow revenue is included in other non-operating revenues; the Kan-Grow revenue is pledged to the payment of the Series 2013G-1 Bonds, which amount is included within the definition of "Revenues" for the Series 2013G-1 Bonds under the Series 2013G Bond Resolution.

(6) Includes operating and non-operating revenues.

(7) To the extent University revenues pledged to specific bonds (such as housing and parking revenues) are transferred to a surplus fund that permits use of moneys for any lawful purpose, such excess portion of the revenues transferred to the surplus fund are presented as Revenues.

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University of Kansas (including affiliated corporations)
Revenues Pledged to Payment of KDFA Revenue Bonds
And Restricted Revenues
Year Ended June 30, 2014

	Total	Restricted Revenues[1]	Revenues[2]
Tuition and Fees (net of scholarship allowances of $26,293,984)	$273,856,114	$7,723,741	$266,132,373
State Appropriations[3]	258,940,739	32,253,848	226,686,891
Local Appropriations[4]	10,615,600	10,615,600	--
Sales and Services	90,333,544	6,644,756	83,688,78
Other Operating Revenues	16,281,458	6,925,139	9,356,319
Gifts	50,725,239	8,599,446	42,125,793
Grants and Contracts (Federal, State & Nongovernmental)[5][6]	289,389,100	289,389,100	--
Auxiliaries:			
Housing[7]	24,575,542	17,815,597	6,759,945
Parking[7]	13,292,424	10,170,523	3,121,901
All Other Auxiliaries	132,539,248	132,539,248	--
Other Non-Operating Revenues[5]	39,873,785	39,873,785	--
Total	$1,200,422,793	$562,550,782	$637,872,011

(1) These amounts are Restricted Revenues.

(2) These amounts are the Revenues pledged by the University pursuant to pursuant to the applicable agreement for a KDFA Revenue Bond. (These amounts are defined as “Unrestricted Revenues” in the Series 2013G Bond Resolution pledged to the payment of the Series 2013G-1 Bonds and the Series 2013G-2 Bonds, to distinguish such amounts from the term “Revenues” defined in the Series 2013G Bond Resolution which also includes, as to the Series 2013G-1 Bonds only, the KU Kan-Grow Revenues described in note (6) in addition to the Unrestricted Revenues.)

(3) Includes State Appropriations for operations and Capital Appropriations for rehabilitation and repair of $13,844,050.

(4) JCERTA sales tax revenues pledged towards Series 2010M and 2010P Bonds.

(5) $2,483,422 of KU Kan-Grow revenue is included in Grants and Contracts and $1,016,578 KU Kan-Grow revenue is included in other non-operating revenues; the Kan-Grow revenue is pledged to the payment of the Series 2013G-1 Bonds, which amount is included within the definition of “Revenues” for the Series 2013G-1 Bonds under the Series 2013G Bond Resolution.

(6) Includes operating and non-operating revenues.

(7) To the extent University revenues pledged to specific bonds (such as housing and parking revenues) are transferred to a surplus fund that permits use of moneys for any lawful purpose, such excess portion of the revenues transferred to the surplus fund are presented as Revenues.

Capital Projects and Planned Additional Debt Obligations

The University currently has several capital improvement projects in various stages of planning and construction. For a recent description of the certain of those projects, see the caption "CAPITAL ASSETS" in the Management's Discussion and Analysis contained at the beginning of the University of Kansas Annual Financial Report for the fiscal year ended June 30, 2015 set forth in Appendix A to this Official Statement.

The University will be financing all or a portion of the following projects with additional debt:

- The Health Education Building at the Medical Center's Kansas City campus has an estimated cost of $75 million with such costs expected to be provided for by $1 million from the Educational Building fund, $25 million from State backed bonds on which the State will pay debt service directly, $25 million from a private gift and the remainder from additional philanthropy and proceeds of University revenue bonds. The current goal for completion is June 2017.

- A project to construct a fifth parking garage at the Kansas City campus of the Medical Center at an estimated cost of $39.6 million. The project is planned for FY 2016 and the bonds for such project will be supported with revenues from the Medical Center parking operation.

- The Lawrence campus of the University recently completed an update of its "2014-2024 Campus Master Plan". The Plan includes a plan for improving and increasing space for teaching and research labs in the Science facilities. The first component of the KU-Lawrence Science Facility Master Plan, the Earth Energy and Environment Center is budgeted for $78.5 million and will be funded by private gifts and up to $25 million in proceeds of University revenue bonds. Construction is estimated to be completed fall 2017.

- A project to renovate Corbin Hall (a University residence hall) on the Lawrence campus which is estimated to cost $14.5 million. The bonds for this project will be supported with housing revenues and a pledge of Revenues.

Pension Obligations and OPEB

Pension Obligations. Certain University employees, representing approximately 17% of University benefit employees, participate in the Kansas Public Employees Retirement System ("KPERS"), a defined benefit plan which is funded through contributions by employers and the individual employees. The employer rate of contributions is determined under State law and the University, as a participating employer, pays the statutorily mandated contribution amount. Kansas law places a cap on employer contributions to the KPERS plans, which has resulted in a statutory contribution rate for employers that has been below the actuarial required contribution rate for many years. The employer contribution rate was 11.27% from July 1, 2014 to December 31, 2014 and 8.65% from January 1, 2015 to June 30, 2015. Under current law, the employer contribution rate is 10.91% of covered compensation for FY 2016 and 10.81% of covered compensation for FY 2017. Beginning with FY 2018, the employer contribution rate is currently scheduled to increase by 1.2% annually until the actuarially required contribution rate is reached. The University made contributions to the KPERS plan of $6.7 million and $6.0 million for fiscal years ended June 30, 2015 and 2014, respectively.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, had an impact on the University's fiscal year 2015 financial statements because of required reporting changes related to KPERS including the addition of unfunded liabilities to the Statement of Net Position. As a result of this new reporting requirement, KU added $78.9 million in net pension liabilities to its Statement of Net Position. For more information regarding KPERS's funded status (pursuant to the KPERS Valuation Report as of December 31, 2014, the KPERS funded ratio was 62% on an actuarial basis and 65% on a market value basis), the University's proportionate share of KPERS' net pension liability and information regarding where additional information and financial reports of KPERS can be obtained, see "Note 15—Pension Plan" in the University of Kansas Annual Financial Report for the fiscal year ended June 30, 2015 attached as Appendix A to this Official Statement.

OPEB. For information regarding the University's other post-employment benefit obligations related to post-employment healthcare benefits, see "Note 17—Other Postemployment Healthcare Benefits (OPEB)" in the University of Kansas Annual Financial Report for the fiscal year ended June 30, 2015, attached as Appendix A to this Official Statement.

The Kansas University Endowment Association

The Kansas University Endowment Association (the "KU Endowment"), founded in 1891, is an independent, nonprofit organization that is the official fundraising foundation for the University of Kansas. In 2008 the KU Endowment launched a $1.2 billion capital fundraising campaign, known as *Far Above, the Campaign for Kansas*, which as of September 2015 has produced pledges and contributions of $1.45 billion. The *Far Above* campaign is scheduled to conclude in June 2016.

The discretely presented financial statements of the KU Endowment are set forth in the University of Kansas Annual Financial Report for the fiscal year ended June 30, 2015 attached as Appendix A to this Official Statement. As of June 30, 2015, net assets of the KU Endowment were in excess of $1.7 billion. The separate audited financial statements of the KU Endowment are available as described in "NOTE 21—Discretely Presented Component Unit" in the Kansas Annual Financial Report for the fiscal year ended June 30, 2015 attached as Appendix A to this Official Statement.

The KU Endowment is a separate entity from the University; it is not obligated to pay Base Lease Payments and has no obligation in any manner with respect to the Series 2016 Bonds.

GOVERNANCE AND ADMINISTRATION

Governing Board

The Kansas Board of Regents consists of nine regents appointed by the Governor and confirmed by the State Senate. The term of office for each regent is four years, with appointments staggered. Not more than five regents may be of the same political party. The Board of Regents is a constitutionally established board, responsible for formulating policy under which the State universities operate and for recommending to the State Legislature the amount of State funds to be made available to each institution. With respect to State universities, the Board of Regents has the power to make and execute contracts; acquire property; pledge or assign revenues; issue revenue bonds; construct, acquire or improve properties; fix, charge and collect rents, tuition and other fees; contract for services; and execute all acts necessary to the performance of its duties.

University Administration

Dr. Bernadette Gray-Little, Chancellor. Dr. Bernadette Gray-Little is the 17th chancellor of the University of Kansas, a post she assumed August 15, 2009. In 2013, Dr. Gray-Little was named to the executive committees of the Association of American Universities (AAU) and the Association of Public and Land-grant Universities (APLU). She is a member of the Council on Foreign Relations, and is also on the board of trustees for the Online Computer Library Center, an international organization dedicated to expanding public access to information and research. Prior to becoming KU's 17th Chancellor, Dr. Gray-Little held several leadership positions at the University of North Carolina-Chapel Hill, including executive vice chancellor and provost. She received her B.A. from Marywood College (Scranton, Pennsylvania) and a M. S. and Ph.D. in Psychology from St. Louis University (Missouri). As part of a Fulbright Foundation fellowship, she conducted postdoctoral research in cross-cultural psychology in Denmark. She has also been a Social Science Research Council Fellow and a recipient of a Ford Foundation Senior Scholar Fellowship through the National Research Council. Chancellor Gray-Little identified enhancing undergraduate education, raising KU's already high scholarly profile, and securing the resources needed for students and the University to succeed as three of her initial goals for KU. Since arriving at the University in 2009, Dr. Gray-Little has worked to advance the University's mission of lifting students and society by educating leaders, building healthy communities, and making discoveries that change the world. Another goal of Dr. Gray-Little is that through the University's *Bold Aspirations* strategic plan, the University will achieve recognition as a top-tier public international research university. Under the *Bold Aspirations* strategic plan, the University is changing the way it prepares students for success, fostering research and scholarship across all disciplines. Dr. Gray-Little has also been instrumental to Far Above: The Campaign for Kansas, KU Endowment's $1.2 billion comprehensive fundraising campaign. Additionally, Dr. Gray-Little has been instrumental to the University's *Changing for Excellence* initiative, which is designed to make administrative operations more efficient, with the savings being invested in education and research.

Dr. Jeffrey S. Vitter, Executive Vice Chancellor/Provost. Dr. Jeffrey S. Vitter became the Executive Vice Chancellor and Provost of the University of Kansas on July 1, 2010. Dr. Vitter is the Roy A. Roberts Distinguished Professor with an academic home in the Department of Electrical Engineering and Computer Science and is also a member of the Information and Telecommunication Technology Center. Dr. Vitter will leave the University of Kansas after the fall 2015 semester, effective as of December 31, 2015, to become the Chancellor of the University of Mississippi.

Dr. Sara Thomas Rosen, Interim Executive Vice Chancellor/Provost. Dr. Sara Thomas Rosen will be interim Executive Vice Chancellor/Provost until a replacement is selected. Dr. Rosen is senior vice provost for academic affairs and professor of linguistics at the University of Kansas. Dr. Rosen has primary responsibility for academic programs and program quality, overseeing Undergraduate Studies, Graduate Studies, Student Affairs, International Programs, Online and Distance Learning, and Institutional Compliance. Dr. Rosen is the chief liaison to the Kansas Board of Regents for matters related to academic affairs. She also oversees the implementation of *Bold Aspirations*, the University's strategic plan, and is instrumental in forging partnerships with private companies, including Shorelight Education to grow international student recruitment and provide an integrated first year experience of English language proficiency and academic acculturation, and Everspring Partners to expand KU's fully online program offerings. Dr. Rosen holds a Ph.D. in linguistics and cognitive science from Brandeis University and came to KU in 1991.

Dr. Douglas A. Girod, Executive Vice Chancellor of the University of Kansas Medical Center. Douglas A. Girod, M.D., was appointed Executive Vice Chancellor on February 1, 2013. Prior to becoming executive vice chancellor, Dr. Girod served as Senior Associate Dean for Clinical Affairs and chair of the Department of Otolaryngology-Head and Neck Surgery. A surgeon, Dr. Girod joined the University of Kansas Medical Center faculty in 1994 and quickly rose through the academic ranks, becoming chair of the Otolaryngology department in 2002. He was named Russell E. Bridwell Endowed Chair in 2008. In his role as the chair of the Otolaryngology department, his leadership was instrumental in four years' worth of U.S. News & World Report "Best Hospitals, Ear, Nose and Throat" national rankings for The University of Kansas Hospital. Dr. Girod earned his bachelor's degree in chemistry from the University of California at Davis and his medical degree from the University of California at San

Francisco. He completed his residency and an NIH research fellowship at the University of Washington in Seattle.

Theresa Gordzica, Chief Business and Financial Planning Officer. Reporting to the Chancellor of the University, Ms. Gordzica is responsible for University wide management of Business and Fiscal Affairs at all University of Kansas campuses. Ms. Gordzica has been in administration at KU since 1982. Her career began as a student assistant and has progressed to increasingly responsible positions within the office. Ms. Gordzica holds a Certified Public Accountant Certificate and has a Master's of Business Administration and Bachelor of Science in Business and Accounting from the University of Kansas. Ms. Gordzica has also been active in the Central Association of College and University Business Officers as well as a number of community service organizations. Ms. Gordzica is retiring in early 2016. A national search for her replacement is underway.

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FACULTY, ENROLLMENT, TUITION, FEES AND FINANCIAL ASSISTANCE

Faculty

The following tables present some historical information concerning the faculty at the University for the fall semesters 2011 through 2015.

University of Kansas – Lawrence Campus
Faculty Information
Fall Semester 2011 – 2015

	2011	2012	2013	2014	2015
Number Full-Time Faculty	1,199	1,212	1,242	1,272	1,280
Number Part-Time Faculty	379	396	384	377	366
Number Tenured Faculty	895	903	910	904	879
Average Age of Faculty	NA	NA	NA	NA	NA
Percent of Tenured Faculty	57%	56%	56%	55%	53%
Full-Time Percent with Terminal Degree(2)	93%	92%	91%	91%	91%
Student-Faculty Ratio(2)	18.9	17.3	16.9	16.6	16.6(1)

(1) Fall 2015 ratio is an estimate.
(2) The University is using the *US News & World Report* definition for terminal degree and student/faculty ratio.

University of Kansas – Medical Center
Faculty Information
Fall Semester, 2011 – 2015

	2011	2012	2013	2014	2015
Number Full-Time Faculty(1)	936	967	986	1029	1,027
Number Part-Time Faculty	187	167	193	204	210
Number Tenured Faculty	253	248	241	233	232
Average Age of Faculty	48	49	48	48	48
Percent of Tenured Faculty(2)	72%	71%	72%	71%	72%
Percent Holding Terminal Degrees	92%	91%	91%	92%	92%
Student-Faculty Ratio(3)	NA	NA	NA	NA	NA

(1) Full time faculty counts include Internal Medicine Cardiologists and Emergency Medical Service faculty.
(2) Percent of tenured faculty reflects percent of tenure eligible faculty who have attained tenure – does not include clinical and other non-tenure eligible faculty.
(3) *US News & World Report* definition of student/faculty ratio is ratio of full-time equivalent students to full-time equivalent faculty. Full-time equivalent for students is not calculated for the University of Kansas Medical Center.

Student Body and Enrollment

The University has a coeducational student body with approximately 63% of students having resident status and 37% having non-resident status, based on fall 2015 semester headcount. The following tables reflect headcount information, full-time equivalent (FTE) student information and applications and admissions information for the fall semesters of the years indicated.

The following tables show historical student headcount for the fall semesters at the University as a whole and each of the two main campuses.

Student Headcount

University of Kansas
Student Headcount
Fall Semesters, 2011 – 2015

Fall Semester	Total Students	Residents	Non-Residents	Undergraduate	Graduate	First Professional[1]	Other[2]
2011	28,718	19,344	9,374	19,673	6,377	1,884	784
2012	27,939	18,524	9,415	19,140	6,003	1,985	811
2013	27,784	17,886	9,898	19,199	5,671	2,098	816
2014	27,983	17,816	10,167	19,322	5,684	2,169	808
2015	28,091	17,807	10,284	19,224	5,843	2,192	832

(1) Includes visiting trainees.
(2) Other includes medical residents and fellows.

University of Kansas – Lawrence Campus
Student Headcount
Fall Semesters, 2011 – 2015

Fall Semester	Total Students	Residents	Non-Residents	Undergraduate	Graduate	First Professional
2011	25,448	17,364	8,084	19,222	5,442	784
2012	24,577	16,579	7,998	18,708	5,055	814
2013	24,435	16,011	8,424	18,744	4,880	811
2014	24,612	15,847	8,765	18,851	4,962	799
2015	24,708	15,586	9,122	18,715	5,202	791

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University of Kansas – Medical Center
Student Headcount
Fall Semesters, 2011 – 2015

Fall Semester	Total Students	Residents	Non-Residents	Undergraduate	Graduate	First Professional[(1)]	Other[(2)]
2011	3,270	1,980	1,290	451	935	1,100	784
2012	3,362	1,945	1,417	432	948	1,171	811
2013	3,349	1,875	1,474	455	791	1,287	816
2014	3,371	1,969	1,402	471	722	1,370	808
2015	3,383	2,221	1,162	509	641	1,401	832

(1) Includes visiting trainees.

(2) Other includes medical residents and fellows.

Projected Student Headcount

For the next few years the Kansas high school graduating classes are expected to decline based on Western Interstate Commission on Higher Education's (WICHE) projections. A key focus of the University's strategic plans is increased undergraduate enrollment, increased student retention, and increased graduation rates for undergraduates.

Another key focus is the recruitment of international students. In March of 2014, the University announced the KU Academic Accelerator Program (KUAAP), a distinctive first-year experience for international students with good English skills. This new program is a partnership between the University of Kansas and Shorelight Education, a Boston-based higher education company with expertise in global recruiting and international student services.

In 2015, more than 2,500 international students from 110 countries attended the University, comprising 9% of the University's total enrollment. The goal of KUAAP is to eventually double the international student population and make the University a truly international research university. Internationalizing the University enhances the diversity of the learning environment and prepares all students for success in a global economy. This effort will not diminish the University's capacity to accept Kansas students who choose to come to the University.

University of Kansas
Actual/Projected Student Headcount
Fall Semesters, 2015 – 2019

Fall Semester	Actual* / Projected Headcount
2015	28,091*
2016	28,180
2017	28,280
2018	28,380
2019	28,480

University of Kansas – Lawrence Campus
Actual/Projected Student Headcount
Fall Semesters, 2015 – 2019

Fall Semester	Actual* / Projected Headcount
2015	24,708*
2016	24,800
2017	24,900
2018	25,000
2019	25,100

University of Kansas – Medical Center
Actual/Projected Student Headcount
Fall Semesters, 2015 – 2019

Fall Semester	Actual* / Projected Headcount
2015	3,383*
2016	3,380
2017	3,380
2018	3,380
2019	3,380

Full Time Equivalent Student Enrollment

The following table is a history of full time equivalent (FTE) students for the fall semesters 2011 through 2015 for the University of Kansas – Lawrence and Edwards Campuses. FTE information is not calculated for the University of Kansas Medical Center.

University of Kansas – Lawrence Campus & Edwards Campus
Full Time Equivalent Student Enrollment
Fall Semesters, 2011 – 2015

Fall Semester	Total FTE Students	FTE Undergraduate	FTE Graduates/First Professional
2011	23,290	17,632	5,658
2012	22,468	17,099	5,369
2013	22,327	17,155	5,172
2014	22,532	17,328	5,204
2015	22,647	17,289	5,358

Student Admissions

For the fall 2015 semester, 93% of first time freshmen applications were accepted and 30% of those applicants enrolled. The one-year retention rate for the fall 2014 full-time, first-time degree-seeking freshmen is 80%.

University of Kansas
First Time Freshmen Applications, Acceptances and Enrollments
Fall Semesters, 2011 – 2015

	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015
Applications Received	10,035	12,389	13,256	15,767	15,155
Applications Accepted	9,306	11,433	11,715	14,414	14,165
% Accepted	93%	92%	88%	91%	93%
Students Enrolled	3,580	3,771	4,000	4,084	4,187
% of Acceptances Enrolled	38%	33%	34%	28%	30%

Indicated below are the average ACT scores and grade point averages of freshmen entering in the fall semesters.

University of Kansas
Enrolled First Time Freshmen
Fall Semesters, 2011 – 2015

	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015
Average ACT Score*	24.9	25.1	25.3	25.1	25.2
Average High School GPA	3.5	3.5	3.5	3.5	3.5

*SAT converted to ACT equivalent

Room and Board

The following table summarizes the annual room and board fees for an academic year for the University of Kansas Lawrence campus. Approximately 4,900 students will reside in residence and scholarship halls for the 2015-2016 academic year. There are no student housing facilities at the University of Kansas Medical Center Campus other than a few limited apartments for international students and visitors.

University of Kansas – Lawrence Campus
Annual Room and Meals
Fall Semesters, 2012 – 2016

	2012	2013	2014	2015	2016
Room (standard)	$3,700	$3,804	$4,162	$5,426	$5,590
Meals*	3,380	3,454	3,540	3,634	3,734
	$7,080	$7,258	$7,702	$9,060	$9,324

* The University has several meal plans. The meal plan rate used in this table is based on Crimson Flex plan.

Note: The University has several room rates. Prior to 2015, the standard room rate used in this table was based on the double room rate. In 2015, the standard room rate shifted to the double room renovated rate.

Geographic Representation of Students

For the fall 2015 semester, 63.4% of the University's students were Kansas residents. All of 105 Kansas counties, all 50 states, District of Columbia, four U.S. Territories, and 110 different countries were represented in the student population.

University of Kansas
Geographic Representation
Fall Semester 2015

Total Students:	28,091
Kansas	17,807
Other States	7,746
International	2,538
Undergraduates:	
Kansas	13,189
Other States & International	6,035
Graduates & Professionals:	
Kansas	4,618
Other States & International	4,249

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Degrees Awarded

In the past five years, the University has awarded the following undergraduate, graduate and professional degrees.

University of Kansas
Degrees Awarded
Academic years, 2011 – 2015

	2011	2012	2013	2014	2015
Undergraduate Certificates	9	10	8	10	9
Bachelor's	4,047	4,331	4,265	4,091	3,899
Post-baccalaureate Certificates	11	18	7	149(1)	171(1)
Master's	1,583	1,731	1,547	1,593	1,467
Specialist	10	-(2)	-(2)	-(2)	-(2)
PhD	335	302	369	328	390
Law (JD)	172	159	172	120	136
Pharmacy (PharmD)	114	118	103	149	154
Medicine (MD)	166	166	160	187	189
Audiology (AuD)	6	10	9	4	5
Nursing (DNP)	11	10	12	10	35
Occupational Therapy	2	5	1	5	3
Physical Therapy (DPT)	50	51	44	44	41
Total	6,516	6,911	6,697	6,690	6,499

Certificates listed are Title IV eligible.

(1) Certificate categories the University reports to the federal government have expanded.
(2) Specialist degrees are included with Master's degrees.

Tuition and Fees

The University of Kansas, Lawrence campus uses the AAUDE-16 Comparison group as the peer group for tuition and fees comparisons. The AAUDE-16 Comparison group includes: the University of Colorado; the University of Illinois; Indiana University; the University of Iowa; Iowa State University; University of Michigan; Michigan State University; the University of Minnesota; the University of Missouri; the University of Nebraska; The Ohio State University; Purdue University; the University of Texas; Texas A&M University; and the University of Wisconsin. The University of Kansas, Medical Center campus uses the cost study peers (the University of Colorado; the University of Iowa; the University of North Carolina; the University of Oklahoma; and the University of Oregon) as their comparison group.

The following tables show a history of the changes in tuition and fees of full-time students enrolled at the University of Kansas and a comparison to the peer groups for those years.

Between the Academic Years 2012 and 2016, tuition and fees at the University of Kansas have increased 19% for resident undergraduates, 19% for resident graduates, 21% for nonresident undergraduates and 19% for nonresident graduates. A comparison of the past fiscal years' standard rate tuition and fees of the University of Kansas to the average tuition and fees for the peer group for both residents and non-residents is shown in the following tables.

University of Kansas – Lawrence Campus
Schedule of Tuition and Fees and Comparison to AAUDE-16 Institutions[1]
Academic Years 2012 – 2016

	Resident Undergraduates			Non-Resident Undergraduates		
Academic Year	University of Kansas	AAUDE-16 Average w/out KU	KU as % of AAUDE-16 Average	University of Kansas	AAUDE-16 Average w/out KU	KU as % of AAUDE-16 Average
2012	$8,469	$10,072	84.1%	$20,358	$26,477	76.9%
2013	8,888	10,435	85.2%	21,731	27,551	78.9%
2014	9,278	10,485	88.5%	22,757	28,032	81.2%
2015	9,707	10,651	91.1%	23,847	28,790	82.8%
2016	10,056	10,775	93.3%	24,707	29,714	83.1%

	Resident Graduates			Non-Resident Graduates		
Academic Year	University of Kansas	AAUDE-16 Average w/out KU	KU as % of AAUDE-16 Average	University of Kansas	AAUDE-16 Average w/out KU	KU as % of AAUDE-16 Average
2012	$8,389	$11,138	75.3%	$18,476	$24,429	75.6%
2013	8,803	11,551	76.2%	19,405	25,281	76.8%
2014	9,190	11,765	78.1%	20,316	25,816	78.7%
2015	9,614	11,966	80.3%	21,287	26,429	80.5%
2016	9,958	12,188	81.7%	22,049	27,057	81.5%

	Resident Law Students			Non-Resident Law Students		
Academic Year	University of Kansas	AAUDE-16 Average w/out KU	KU as % of AAUDE-16 Average	University of Kansas	AAUDE-16 Average w/out KU	KU as % of AAUDE-16 Average
2012	$16,998	$28,472	59.7%	$29,607	$41,517	71.3%
2013	19,277	29,777	64.7%	32,529	42,958	75.7%
2014	20,270	30,697	66.0%	34,178	42,857	79.7%
2015[2]	20,643	30,686	67.3%	35,234	42,694	82.5%
2016	21,419	31,186	68.7%	36,533	43,397	84.2%

(1) Undergraduate and law are calculated based on 30 credit hours and graduate programs are calculated based upon 24 credit hours.

(2) Three AAUDE-16 institutions do not have Law Schools. The tuition and fee rates for the AAUDE Law Schools declined in FY 2015. Several Law Schools' rates stayed the same, two schools dropped their rates. The University of Iowa's drop was large enough to cause the average to drop.

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University of Kansas – Medical Center
Schedule of Tuition and Fees and Comparison to Cost Study Peer Institutions[1]
Academic Years 2012 – 2016

	Resident Undergraduates			Non-Resident Undergraduates		
Academic Year	Medical Center	Peer Average w/out KUMC	KUMC as % of Peer Average	Medical Center	Peer Average w/out KUMC	KUMC as % of Peer Average
2012	$7,774	$9,084	85.6%	$19,777	$23,517	84.1%
2013	8,316	9,568	86.9%	21,039	24,496	85.9%
2014	9,038	9,960	90.7%	22,397	25,319	88.5%
2015	9,564	10,237	93.4%	23,700	26,703	88.8%
2016[2]	9,903	11,156	88.8%	24,549	27,849	88.2%

	Resident Graduates			Non-Resident Graduates		
Academic Year	Medical Center	Peer Average w/out KUMC	KUMC as % of Peer Average	Medical Center	Peer Average w/out KUMC	KUMC as % of Peer Average
2012	$5,867	$10,215	57.4%	$13,467	$20,301	66.3%
2013	6,295	9,626	65.4%	14,350	19,933	72.0%
2014	6,843	10,014	68.3%	15,301	20,619	74.2%
2015	7,260	10,415	69.5%	16,045	20,891	76.8%
2016	7,516	10,931	68.8%	16,615	21,514	77.2%

	Resident First-Year Medical Students			Non-Resident First-Year Medical Students		
Academic Year	Medical Center	Peer Average w/out KUMC	KUMC as % of Peer Average	Medical Center	Peer Average w/out KUMC	KUMC as % of Peer Average
2012	$28,249	$27,568	102.5%	$49,692	$54,477	91.2%
2013	30,037	29,272	102.6%	52,767	51,109	103.2%
2014	31,707	30,550	103.8%	55,574	52,900	105.1%
2015	33,277	31,274	106.4%	58,336	54,122	107.8%
2016	34,470	32,756	105.2%	60,431	56,205	107.5%

(1) Undergraduate programs are calculated based upon 30 credit hours, graduate programs are calculated based on 18 hours, and the first-year medical program is calculated based upon a flat annual rate.
(2) Beginning in 2016, additional per credit hour fees related to instruction are included in fees for both KUMC and peer institutions to better reflect published cost of attendance. Years prior to 2016 were not modified.

In the normal course of the University's budget process, it proposes tuition increases to the Board of Regents on an annual basis in May for the following fall.

Schedule of Tuition and Fees
For Kansas Board of Regents Institutions

The current academic year's tuition and fees for each of the six Kansas Board of Regents Institutions are shown in the following table:

Kansas Board of Regents Institutions
Schedule of Tuition and Fees
Academic Year 2016

	University of Kansas	University of Kansas Medical Center	Wichita State University	Kansas State University	Emporia State University	Pittsburg State University	Fort Hays State University
Resident							
Undergraduate	$10,057	$ 9,903	$ 7,528	$ 9,350	$ 5,936	$ 6,508	$ 4,654
Graduate	9,958	9,763	7,726	9,972	7,488	7,288	5,138
Law	21,419	*	*	*	*	*	*
First Year Medical Student	*	34,469	*	*	*	*	*
Non-Resident							
Undergraduate	$24,707	$24,549	$15,851	$23,429	$18,524	$16,978	$13,657
Graduate	22,049	21,895	17,290	21,458	19,392	17,048	13,036
Law	36,533	*	*	*	*	*	*
First Year Medical Student	*	60,431	*	*	*	*	*

*Not applicable

Note: Tuition and fees based on two semesters. Undergraduate rates are based on 30 hours and graduate rates are based on 24 hours, per the Regents definition.

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Financial Aid Assistance

The following table provides information about the recipients and amounts, by category, of financial aid assistance to students for the academic years ended June 30, 2012, 2013, 2014 and 2015 as well as estimates of the numbers of recipients and dollar amount of financial aid assistance for the academic years ending June 30, 2016. Most students who receive Federal financial assistance receive multiple types of Federal financial assistance. The total number of students receiving unduplicated financial aid assistance is shown below.

University of Kansas
Schedule of Financial Aid Assistance to Students
Academic Years Ending June 30, 2012 – 2016

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Estimated
Total Students Enrolled (Headcount)	28,718	27,939	27,784	27,983	28,091
Number of students receiving financial aid assistance, by category:					
Federal assistance recipients	14,317	13,522	13,418	13,627	13,839
State assistance recipients	2,613	2,479	2,272	2,384	2,504
Institutional scholarship recipients	12,707	12,478	12,535	13,096	13,682
Other scholarship recipients	3,358	3,635	3,790	3,845	3,901
Total students receiving financial aid assistance (excluding Federal assistance)[(1)]	13,448	14,777	15,108	15,917	16,770
Total (unduplicated) number of students receiving financial aid assistance	20,175	19,931	20,229	20,715	21,213
Amount of assistance by category:					
Federal assistance	$198,302,357	$189,625,134	$193,168,540	$202,166,742	$211,584,349
State assistance	8,232,001	8,442,840	8,621,102	8,831,211	9,046,533
Institutional scholarships	70,800,800	76,994,958	83,132,741	91,920,212	101,689,782
Other scholarships and assistance	19,012,742	18,934,201	20,997,553	22,662,028	24,52,001
Total amount of assistance to students	$296,347,900	$293,997,133	$305,919,936	$325,580,193	$346,845,665

(1) KUMC counts prior to 2013 include students who received only non-federal aid. Beginning in 2013, counts include students who received any non-federal aid and also may have received federal aid.

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University of Kansas – Lawrence Campus
Schedule of Financial Aid Assistance to Students
Academic Years Ending June 30, 2012 – 2016

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Estimated
Total Students Enrolled (Headcount)	25,448	24,577	25,435	24,612	24,708
Number of students receiving financial aid assistance, by category:					
Federal assistance recipients	12,939	12,166	12,027	12,202	12,380
State assistance recipients	2,463	2,326	2,121	2,206	2,294
Institutional scholarship recipients	11,577	10,992	11,181	11,692	12,226
Other scholarship recipients	3,121	3,233	3,482	3,543	3,605
Total students receiving financial aid assistance (excluding Federal assistance)	13,212	13,057	13,553	14,306	15,101
Total (unduplicated) number of students receiving financial aid assistance	18,358	17,960	18,264	18,699	19,144
Amount of assistance by category:					
Federal assistance	$163,026,780	$153,985,240	$154,691,129	$161,984,668	$169,622,090
State assistance	2,478,608	2,535,890	2,610,034	2,686,582	2,765,375
Institutional scholarships	65,645,434	68,788,129	75,698,760	84,300,685	93,880,078
Other scholarships and assistance	14,535,333	16,369,558	18,828,796	19,961,584	21,162,524
Total amount of assistance to students	$245,686,155	$241,678,817	$251,828,719	$268,933,519	$287,430,067

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University of Kansas – Medical Center
Schedule of Financial Aid Assistance to Students
Academic Years Ending June 30, 2012 – 2016

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Estimated
Total Students Enrolled (Headcount)	3,270	3,362	3,349	3,371	3,383
Number of students receiving financial aid assistance, by category:					
Federal assistance recipients	1,378	1,356	1,391	1,425	1,460
State assistance recipients	150	153	151	178	210
Institutional scholarship recipients	1,130	1,486	1,354	1,404	1,456
Other scholarship recipients	237	402	308	302	296
Total students receiving financial aid assistance (excluding Federal assistance)[1]	236	1,720	1,555	1,611	1,669
Total (unduplicated) number of students receiving financial aid assistance	1,817	1,971	1,965	2,016	2,068
Amount of assistance by category:					
Federal assistance	$35,275,577	$35,639,894	$38,477,411	$40,182,074	$41,962,259
State assistance	5,753,393	5,906,950	6,011,068	6,144,629	6,281,158
Institutional scholarships	5,155,366	8,206,829	7,433,981	7,619,527	7,809,704
Other scholarships and assistance	4,477,409	2,564,643	2,168,757	2,700,444	3,362,477
Total amount of assistance to students	$50,661,745	$52,318,316	$54,091,217	$56,646,674	$59,415,598

(1) KUMC counts prior to 2013 include students who received only non-federal aid. Beginning in 2013, counts include students who received any non-federal aid and also may have received federal aid.

LITIGATION, INSURANCE AND UNIONS

Litigation

As a result of the wide variety of the University's activities, the University is a party to a number of legal proceedings and there can be expected to exist a variety of circumstances that have resulted in threatened legal proceedings or may result in additional claims and legal proceedings. However, no litigation, proceedings or investigations are pending or, to the knowledge of the University, threatened against the University, except litigation involving claims which, if adversely determined, will not, in the opinion of the counsel to the University, materially and adversely affect the financial condition of, the operations of, or revenues generated by, the University.

The Kansas Tort Claims Act, K.S.A. 75-6101 *et seq*., limits the liability of the State of Kansas, its boards, commissions, departments, agencies, bureaus and institutions for damages caused by the negligent or wrongful act or omission of any of their employees while acting within the scope of their employment. Subject to certain exceptions contained within the Kansas Tort Claims Act, liability for claims within the scope of the Kansas Tort Claims Act cannot exceed $500,000 for any number of claims arising out of a single occurrence or event.

Insurance

The University purchases a number of insurance programs, including property insurance in the amount of $500,000,000 per occurrence subject to a deductible between $250,000 and $500,000 per occurrence. Named equipment is covered up to the declared value with a $5,000 deductible. State-owned automobiles are covered by liability coverage for bodily injury and property damage up to $500,000 per occurrence. Insurance is provided by Lexington Insurance Company and Zurich American Insurance Company and expires on June 30, 2016. In addition to insurance, the University has developed an Enterprise Risk Management approach to systematically identify and manage risks that may impact the University's mission and operations.

Unions

The University maintains Memoranda of Agreement with five employee organizations: American Federation of Teachers (AFT) – Kansas representing about 1,000 KU Graduate Teaching Assistants (GTAs); Laborer's International Union of North America (LiUNA), Local 1290 Public Employees (PE) representing about 500 service/maintenance employees at the Lawrence campus and about 76 service/maintenance employees at the Medical Center; Kansas University Police Officers Association (KUPOA) represents about 60 law enforcement and security personnel at the Lawrence campus; and the Fraternal Oder of Police Lodge #37 (FOP) represents about 20 law enforcement personnel at the Medical Center. The University is currently in negotiations with LiUNA on both campuses: At the Lawrence campus, the parties have deferred salary discussions and have tentatively agreed on modifications to other provisions of the MOA. At the Medical Center, the FOP membership has recently ratified the negotiated MOA. The University also is in negotiations with the KUPOA but discussions about salary increases have been delayed until later in 2016.

APPENDIX C — DEBT SERVICE REQUIREMENTS

DUE MARCH 1 OF THE YEAR	PRINCIPAL	INTEREST	TOTAL
2016		$ 1,814,561.10	$ 1,814,561.10
2017		16,331,050.00	16,331,050.00
2018	$ 1,620,000	16,331,050.00	17,951,050.00
2019	4,800,000	16,266,250.00	21,066,250.00
2020	5,180,000	16,026,250.00	21,206,250.00
2021	5,570,000	15,767,250.00	21,337,250.00
2022	5,990,000	15,488,750.00	21,478,750.00
2023	6,430,000	15,189,250.00	21,619,250.00
2024	6,890,000	14,867,750.00	21,757,750.00
2025	7,385,000	14,523,250.00	21,908,250.00
2026	7,900,000	14,154,000.00	22,054,000.00
2027	8,445,000	13,759,000.00	22,204,000.00
2028	8,870,000	13,336,750.00	22,206,750.00
2029	9,325,000	12,893,250.00	22,218,250.00
2030	9,780,000	12,427,000.00	22,207,000.00
2031	10,265,000	11,938,000.00	22,203,000.00
2032	10,785,000	11,424,750.00	22,209,750.00
2033	11,315,000	10,885,500.00	22,200,500.00
2034	11,880,000	10,319,750.00	22,199,750.00
2035	12,475,000	9,725,750.00	22,200,750.00
2036	13,095,000	9,102,000.00	22,197,000.00
2037	13,755,000	8,447,250.00	22,202,250.00
2038	14,440,000	7,759,500.00	22,199,500.00
2039	15,165,000	7,037,500.00	22,202,500.00
2040	15,925,000	6,279,250.00	22,204,250.00
2041	16,725,000	5,483,000.00	22,208,000.00
2042	16,820,000	4,646,750.00	21,466,750.00
2043	17,660,000	3,805,750.00	21,465,750.00
2044	18,545,000	2,922,750.00	21,467,750.00
2045	19,465,000	1,995,500.00	21,460,500.00
2046	20,445,000	1,022,250.00	21,467,250.00

APPENDIX D — DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL FINANCING DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Loan Agreement, which are not described elsewhere in this Official Statement. These summaries do not purport to be complete or definitive and reference should be made to such documents for a full and complete statement of their provisions. All capitalized terms used with respect to the Series 2016 Bonds and not defined in this Official Statement have the meanings set forth in the Indenture.

Definitions

The following are definitions of certain terms used in the Indenture and the Loan Agreement applicable to the Series 2016 Bonds.

"Act" means Sections 66.0301, 66.0303 and 66.0304 of the Wisconsin Statutes, as now in effect and as the same may from time to time hereafter be amended or supplemented.

"Additional Bonds" means all revenue bonds of the Authority, other than the Series 2016 Bonds, authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture.

"Additional Payments" means the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement, other than amounts relating to the replenishment of amounts on deposit in the Reserve Account.

"Administrative Fees and Expenses" means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority in connection with the Bonds, including taxes and assessments specified in the Loan Agreement, fees and expenses of professionals and experts specified in the Loan Agreement, the fees and expenses of the Authority or any agent or attorney selected by the Authority, as specified in the Loan Agreement, together with all payments by the Borrower for indemnification of the Authority and Authority Indemnified Persons.

"Amortized Redemption Price" means the Amortized Value of the Series 2016 Bonds to be redeemed, plus accrued interest to, but not including, the redemption date.

"Amortized Value" means the principal amount of the Series 2016 Bonds to be redeemed multiplied by the price of such Bonds expressed as a percentage, calculated by the Trustee, as calculation agent, based on the industry standard method of calculating bond prices on the basis of a 360-day year of twelve 30-day months, with a delivery date equal to the redemption date, the maturity date of such Series 2016 Bonds (or the earlier dates, if any, on which such Series 2016 Bonds are first redeemable as described under the caption "THE SERIES 2016 BONDS—Optional Redemption" in the forepart of this Official Statement) and a yield equal to such Series 2016 Bond's original offering yield set forth on the inside front cover of this Official Statement.

"Assignment Agreement" means (i) the Base Lease Payment Assignment Agreement, dated as of January 1, 2016, by and between the Borrower, the University and the Trustee; and (ii) any additional lease rent assignment agreement entered into by the Borrower as described in paragraph (17) under the caption "THE INDENTURE—Additional Bonds and Refunding Bonds—*Additional Documents*".

"Authority" means the Public Finance Authority, a unit of government and a body corporate and politic of the State of Wisconsin in accordance with the Act, and its successors and assigns.

"Authority Documents" means the Indenture and the Loan Agreement.

"Authority Indemnified Person" means any past, present, or future (i) Member; (ii) Sponsor; and (iii) director, board member, governing member, trustee, commissioner, elected or appointed official, officer, employee, authorized signatory, attorney, contractor, subcontractor, agent or advisor (including counsel and financial advisers) to the Authority, any Member or any Sponsor, and including in each case their respective heirs, successors and assigns.

"Authorized Borrower Representative" means any person who at the time and from time to time may be designated, by written certificate furnished to the Authority and the Trustee, as a person authorized to act on behalf of the Borrower. Such certificate will contain the specimen signature of such person, will be signed on behalf of the Borrower by any officer of the Borrower and may designate an alternate or alternates.

"Authorized Denominations" means, (i) with respect to the Series 2016 Bonds, $5,000 and any integral multiple thereof, and (ii) in the case of Additional Bonds or Refunding Bonds, the amount specified in the Supplemental Indenture authorizing the issuance thereof.

"Authorized Signatory" means any officer, director or other person as may be designated by resolution of the Authority (whether such resolution is adopted in connection with the issuance of the Bonds or otherwise) as an "Authorized Signatory" empowered to, among other things, execute and deliver on behalf of the Authority the Indenture, the Authority Documents and the Bonds.

"Base Lease Payment" has the meaning ascribed to such term in the Sublease Agreement.

"Beneficial Owner" means, (i) when used with reference to the book entry only system, the person who is considered the beneficial owner of the Bonds and, with respect to the Bonds pursuant to the arrangements for book entry determination of ownership applicable to the Depository and, (ii) for purposes of the provisions of the Indenture relating to continuing disclosure, any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds and, with respect to the Bonds (including persons holding such through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds and, with respect to the Bonds for federal income tax purposes.

"Bondholder" or "Holder" means, with respect to any Bond, the person in whose name such Bond is registered.

"Bonds" means, collectively, the Public Finance Authority Lease Development Revenue Bonds (KU Campus Development Corporation – Central District Development Project), Series 2016, and any Additional Bonds or Refunding Bonds authorized by and at any time Outstanding pursuant to the Indenture.

"Book Value" means, when used in connection with Property of a Person, the value of such Property, net of accumulated depreciation, as it is carried on the books of such Person and in conformity with Generally Accepted Accounting Principles.

"Borrower" means KU Campus Development Corporation, a Kansas nonprofit corporation.

"Borrower Documents" means the Loan Agreement, the Ground Lease, the Sublease Agreement and the Assignment Agreement, and any other agreement entered into in connection with Additional Bonds or Refunding Bonds pursuant to the terms of the Indenture.

"Borrower Revenue Fund" means the fund by such name established pursuant to the Loan Agreement.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal Corporate Trust Office of the Trustee is located are authorized or obligated by law to be closed.

"Certificate of the Authority," "Consent of the Authority," "Order of the Authority," "Request of the Authority" or "Requisition of the Authority" mean, respectively, a written certificate, consent, order, request or requisition of the Authority signed by or on behalf of the Authority by its Authorized Signatory.

"Certificate of the Borrower," "Consent of the Borrower," "Request of the Borrower," "Requisition of the Borrower" or "Statement of the Borrower" mean, respectively, a written certificate, request, requisition or statement of the Borrower executed by an Authorized Borrower Representative.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of January 1, 2016, among the Borrower, the University and U.S. Bank National Association, as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms of the Indenture.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, fees and expenses of the Authority, the Trustee, legal fees and charges of bond counsel, special counsel, disclosure counsel and Trustee's counsel, underwriters' discount, rating agency fees and any other costs, charges or fees in connection with the original delivery of the Bonds.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"Debt Service" means, for any period of time, the sum, without duplication, of (a) the interest payable during such period on all Outstanding Bonds, (b) that portion of the principal amount of all Outstanding Bonds maturing on each principal payment date during such period, and (c) that portion of the principal amount of all Outstanding Bonds which are Term Bonds required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon).

"Debt Service Fund" means the fund established pursuant to the Indenture.

"Depository" means The Depository Trust Company and its successors and assigns, or any other depository selected as set forth in the Indenture which agrees to follow the procedures required to be followed by such depository in connection with the Bonds.

"Disbursement Agreement" means that certain disbursement agreement between the Borrower, the Trustee and Edgemoor Infrastructure & Real Estate I LLC.

"Eligible Securities" means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held under the Indenture and then proposed to be invested therein and will be the sole investments in which amounts on deposit in any fund or account created under the Indenture or under the Loan Agreement will be invested:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America; U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities will constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Resolution Funding Corporation or Federal Farm Credit System;

(4) Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest Rating Categories assigned by such agencies;

(5) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank, which, in either case, is rated in one of the three highest Rating Categories by S&P or Moody's or Fitch at the time the agreement is entered into, provided that (a) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (b) the collateral is valued not less frequently than weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations identified in paragraph (3) of this definition of Eligible Securities, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (c) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately, (d) the repurchase securities consist of securities identified in paragraphs (1), (2) or (3) of this definition of Eligible Securities; (e) the repurchase securities are free and clear of any third-party lien or claim; and (g) there will have been delivered to the Trustee, the Authority and the Borrower an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of public funds;

(6) investment agreements, including guaranteed investment contracts ("GICs") with providers in one of the three highest Rating Categories of Moody's or S&P or Fitch at the time the agreement is entered into;

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G, AAA-m, or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2, including such funds advised, managed or sponsored by the Trustee or any of its affiliates;

(8) certificates of deposit secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to

collateral held by a third party, and in which collateral the Trustee on behalf of the Bondholders has a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits with domestic commercial banks (including the Trustee and its affiliates) which (a) have a rating on the date of purchase in one of the two highest short-term Rating Categories (without regard to qualifier) of at least two nationally recognized rating agencies or (b) are fully insured by FDIC;

(10) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(11) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P;

(12) obligations of a bank or other financial institution rated at least "A3" by the Rating Agency; and

(13) any other investments approved in writing by the Authority, provided that such investment does not adversely affect S&P or Moody's then current rating on the Bonds.

"Environmental Regulation" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

"Event of Default" means any of the events specified in the Indenture.

"Fiscal Year" means, with respect to the Borrower, the twelve month period beginning July 1 and ending on June 30, or such other twelve month period as may be designated in a written Statement of the Borrower delivered to the Authority and the Trustee.

"Fitch" means Fitch Ratings, Inc., and its successors and assigns, except that if such organization will be dissolved or liquidated or will no longer perform the functions of a securities credit rating agency, then the term "Fitch" will be deemed to refer to any other nationally recognized securities credit rating agency selected by the Authority.

"Ground Lease" means (i) that certain ground lease between the University, as lessor, and the Borrower, as lessee, relating to the Project, as originally executed and as it may be amended or supplemented in accordance with the terms thereof and of the Indenture; and (ii) any additional ground lease entered into by the Borrower as described in paragraph (17) under the caption "THE INDENTURE—Additional Bonds and Refunding Bonds—*Additional Documents*".

"Guaranty" means all loan commitments and all obligations of any Person guaranteeing in any manner whatever, whether directly or indirectly, any obligation of any other Person that would, if such other Person were the applicable borrower, constitute Indebtedness.

"Hazardous Substances" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; any State, regional, parish or local statute, law, rule, regulation or ordinance to which the Borrower is subject and all rules, regulations, policies and guidance documents promulgated or published thereunder; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"Indebtedness" means all obligations for borrowed money, installment sales and capitalized lease obligations, incurred or assumed by such Person, as applicable, including Guaranties or any other obligation for payments of principal and interest with respect to money borrowed.

"Indenture" means the indenture, dated as of January 1, 2016, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions of the Indenture.

"Independent Consultant" means a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Borrower or any affiliate thereof and (3) is not connected with the Borrower or any affiliate thereof as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions, and designated by the Borrower, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the Borrower and having a favorable reputation for skill and experience in the financial affairs of such facilities.

"Insurance and Condemnation Proceeds Fund" means the fund by that name established pursuant to the Indenture.

"Interest Account" means the account by that name in the Revenue Fund established pursuant to the Indenture.

"Interest Payment Date" means each March 1 and September 1, commencing March 1, 2016.

"Joint Exercise Agreement" means Joint Exercise of Powers Agreement Relating to the Public Finance Authority, dated June 30, 2010, as amended by the Amended and Restated Joint Exercise of Powers Agreement Relating to the Public Finance Authority, dated September 28, 2010 by and among Marathon County, Wisconsin, Waupaca County, Wisconsin, Bayfield County, Wisconsin, Adams County, Wisconsin and the City of Lancaster, Wisconsin, as such agreement may be amended from time to time.

"Lease Payments" means (i) all Base Lease Payments received by the Borrower from the University pursuant to the Sublease Agreement; and (ii) all lease rental payments received by the Borrower pursuant to any sublease, entered into as described in paragraph (17) under the caption "THE INDENTURE—Additional Bonds and Refunding Bonds—*Additional Documents*" and in conjunction with a ground lease and assignment agreement, and designated by the Borrower as "Lease Payments" under the Loan Agreement, amended as described in paragraph (16) under the caption "THE INDENTURE—Additional Bonds and Refunding Bonds—*Additional Documents*".

"Lien" means any mortgage or pledge of, security interest in or lien or encumbrance on the Project or the Lease Payments.

"Loan" means the loan of proceeds from the Authority to the Borrower pursuant to the Loan Agreement.

"Loan Agreement" means that certain loan agreement, dated as of January 1, 2016, between the Authority and the Borrower, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof and of the Indenture.

"Loan Repayments" means the payments due and payable from the Borrower to the Authority pursuant to the Loan Agreement.

"Mandatory Sinking Account Payment" means the amount so designated which is established pursuant to the Indenture with respect to the Bonds.

"Maximum Interest Rate" means the lesser of (i) twelve percent (12%) per annum and (ii) the maximum non-usurious rate that may be charged under applicable law.

"Member of the Authority" or "Member" means the parties to the Joint Exercise Agreement and any political subdivision that has been designated in the past, or from time to time in the future is designated, as a member of the Authority pursuant to the Joint Exercise Agreement.

"Moody's" means Moody's Investors Service, and its successors and assigns, except that if such organization will be dissolved or liquidated or will no longer perform the functions of a securities credit rating agency, then the term "Moody's" will be deemed to refer to any other nationally recognized securities credit rating agency selected by the Authority.

"Opinion of Bond Counsel" means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

"Opinion of Counsel" means a written opinion of counsel (which may be counsel for the Authority) reasonably acceptable to the recipient of such Opinion of Counsel. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel will include the statements provided for in the Indenture.

"Optional Redemption Account" means the account by that name in the Redemption Fund established pursuant to the Indenture.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority will have been discharged in accordance with the Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Payments” means (i) all moneys, if any, received by the Trustee directly from the Borrower pursuant to the Loan Agreement, including Loan Repayments, and (ii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture.

“Permitted Liens” means, with respect to the Project:

(a) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license in connection with the Project;

(b) Any judgment lien against the University or the Borrower so long as such judgment is being contested in good faith and execution thereon is stayed; and

(c) Liens shown on the title policy for the Project, including (i) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than ninety (90) days; (iii) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservation and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (iv) the rights of the Authority and the Trustee, as applicable, under the Indenture, the Loan Agreement and the Assignment Agreement; and (v) landlord’s liens;

and means, with respect to the Project and the Lease Payments:

(d) Any Lien arising by reason of any escrow established to pay debt service with respect to the Bonds; and

(e) Any Lien securing, directly or indirectly, the obligations of the Borrower under the Loan Agreement.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Principal Corporate Trust Office” means for the Trustee originally appointed under the Indenture, the corporate trust office of U.S. Bank National Association, which at the date of execution of the Indenture is that specified in the Indenture, provided however, that for purposes of presentation of Bonds for payment or for registration of transfer and exchange such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

“Principal Payment Date” means the principal and Mandatory Sinking Account Payment dates for the Bonds occurring on March 1 of any year, commencing March 1, 2018.

"Project" means the Site and those certain classroom, office, housing, dining, parking and other educational and operational facilities acquired, constructed, improved and equipped thereon, all as more specifically described in the Loan Agreement; and any additional sites and facilities financed or refinanced by the Borrower with the proceeds of Additional Bonds or Refunding Bonds issued pursuant to the Indenture.

"Project Fund" means the fund by that name established pursuant to the Indenture.

"Property" means any and all rights, titles and interests in and to any and all property of the Borrower whether real or personal, tangible or intangible and wherever situated whether currently owned or acquired in the future.

"Property, Plant and Equipment" means all Property which is property, plant and equipment under Generally Accepted Accounting Principles.

"Rating Agency" means at any time any rating agency including Fitch, Moody's or S&P, then rating the Bonds at the request of the Authority or the Borrower.

"Rating Category" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Analyst" means the Person engaged by the Borrower to calculate any rebate liability under the Code.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Refunding Bonds" means Bonds authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture, proceeds of which are used to refund all or any portion of Outstanding Bonds.

"Remittance Address" means, (i) for payment of the Authority's annual fee by check, Public Finance Authority #419, PO Box 2088, Milwaukee, WI 53201, (reference invoice #, project ID and name), or such other address designated by the Authority as such from time to time, or (ii) for payment of the Authority's annual fee by wire transfer or ACH Transaction, pursuant to such instructions designated by the Authority from time to time.

"Representative" means, with respect to the Series 2016 Bonds, J.P. Morgan Securities LLC and its successors and assigns, on behalf of itself and as representative of Barclays Capital, Inc., George K. Baum & Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities as underwriters of the Series 2016 Bonds.

"Reserve Account" means the account by that name in the Revenue Fund established pursuant to the Indenture.

"Reserve Account Requirement" means, with respect to the Series 2016 Bonds, $0, and, as of any date of calculation with respect to any other Series of Bonds, such amount as is specified in the Supplemental Indenture or Supplemental Indentures authorizing the issuance of such Series of Bonds.

"Responsible Officer" of the Trustee means and includes a duly authorized officer of the Principal Corporate Trust Office of the Trustee, with regular responsibility for the administration of matters related to the Indenture.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and its successors and assigns, except that if such organization will be dissolved or liquidated or will no longer perform the functions of a securities credit rating agency, then the term "S&P" will be deemed to refer to any other nationally recognized securities credit rating agency selected by the Authority.

"Series" means, when used with reference to the Bonds, all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

"Series 2016 Bonds" means the Public Finance Authority Lease Development Revenue Bonds (KU Campus Development Corporation – Central District Development Project) Series 2016.

"Sinking Fund Installment" means, with respect to any Term Bonds, each amount so designated for such Term Bonds requiring payments by the Borrower from the Payments to be applied to the retirement of such Bonds on and prior to the stated maturity date thereof.

"Site" means that certain real property located on the campus of the University of Kansas, County of Douglas, State of Kansas described in the Sublease Agreement.

"Special Redemption Account" means the account by that name in the Redemption Fund established pursuant to the Indenture.

"Sponsor" means the National League of Cities, the National Association of Counties, the Wisconsin Counties Association, the Wisconsin League of Municipalities, and any other Person that holds itself out, or is identified by the Authority, as an organization sponsoring the Authority.

"State" means the State of Wisconsin.

"Sublease Agreement" means (i) that certain Sublease Agreement between the Borrower, as landlord, and the University, as tenant, relating to Property constituting the Project, as originally executed and as it may be amended or supplemented in accordance with the terms thereof and of the Indenture; and (ii) any additional sublease entered into by the Borrower as described in paragraph (17) under the caption "THE INDENTURE—Additional Bonds and Refunding Bonds—*Additional Documents*".

"Supplemental Indenture" or "Indenture supplemental thereto" means any supplemental indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

"Tax Certificate" means the Tax Certificate executed by the Authority, the Borrower and the University, dated the date of issuance of the Bonds, as the same may be amended or supplemented in accordance with its terms.

"Tax-Exempt Bonds" means the Authority's Lease Development Revenue Bonds (KU Campus Development Corporation – Central District Development Project) Series 2016 and any Additional Bonds or Refunding Bonds the interest accruing on which, at the time of their issuance, is excluded from gross income for federal income tax purposes under Section 103 of the Code.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trustee" means U.S. Bank National Association, in its capacity as Trustee under the Indenture, or any successor as Trustee as provided in the Indenture.

"Unassigned Rights" means the rights of the Authority under the provisions of the Loan Agreement and the Authority's rights under the Loan Agreement and under the Indenture to (i) inspect books and records; (ii) give or receive notices, approvals, consents, requests and other communications; (iii) receive payment or reimbursement for expenses, including, without limitation, Additional Payments constituting Administrative Fees and Expenses; and (iv) immunity from and limitation of liability; and further, to enforce, in its own name and on its own behalf, those provisions of the Indenture and of the Loan Agreement and any other document, instrument or agreement entered into with respect to the Bonds that provides generally for the foregoing enumerated rights or any similar rights of the Authority. For avoidance of doubt, the "Unassigned Rights" referenced in clauses (iii) and (iv), above, will be interpreted broadly to encompass (but not be limited to) the rights of the Authority Indemnified Persons to immunity from and limitation of liability and indemnification by the Borrower as provided in the Loan Agreement.

"University" means the University of Kansas, a state university under the supervision and control of the Kansas Board of Regents, an agency of the State of Kansas.

The Indenture

The Indenture provides for, among other things, the issuance, execution and delivery of Bonds and sets forth the terms thereof, the nature and extent of the security, various rights of Bondholders, rights, duties and immunities of the Trustee and the rights and obligations of the Authority.

Certain provisions of the Indenture setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in this Official Statement. See "THE SERIES 2016 BONDS," "ESTIMATED SOURCES & USES OF FUNDS" and "SECURITY FOR THE SERIES 2016 BONDS." Certain provisions of the Indenture are summarized below. **This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.**

The Bonds

Bond Register. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, books for the registration of transfer of the Bonds, which will at all reasonable times during normal business hours upon reasonable notice be open to inspection by the Authority; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on said books, of Bonds as hereinbefore provided.

Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, will be of such denomination as may be determined by the Authority, will be in registered form and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond will be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office, and the Trustee will authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, of the same maturity or maturities. Until so exchanged, the temporary Bonds will be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

Pledge and Assignment

Pledge and Assignment.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture and, subject to the rights of the Holders of the Bonds, there are pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture, all of the Payments and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture (other than the Rebate Fund). Said pledge will constitute a lien on and security interest in such assets and will attach and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

(b) The Authority assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Payments and other amounts pledged in paragraph (a) above and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the right to receive any Additional Payments constituting Administrative Fees and Expenses and the Unassigned Rights, including the rights of the Authority and any Authority Indemnified Person to indemnification). The Trustee will be entitled to and will receive all of the Payments, and any Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee; provided that any Additional Payments constituting Administrative Fees and Expenses will be promptly transferred to the Authority pursuant to the Indenture. The Trustee also will be entitled to and will (subject to the provisions of the Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Borrower under the Loan Agreement. The assignment made of the Loan Agreement is executed as security and will not in any way impair the obligations of the Authority under the Loan Agreement nor will any obligations of the Authority thereunder be imposed upon the Trustee.

(c) All Payments other than Additional Payments will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Debt Service Fund" which the Trustee is directed by the Indenture to establish, maintain and hold in trust; provided that all interest, profits and other income received from the investment of moneys held in accounts established under the Indenture shall be deposited as provided in the Indenture. All Payments will be held in trust for the benefit of the Holders from time to time of the Bonds but will nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

(d) Pursuant to the Loan Agreement, the Borrower has delivered to the Trustee, for the benefit of the Holders from time to time of the bonds, that certain Assignment Agreement. The Trustee will, following any event of default under the Loan Agreement, be entitled to and will (subject to the provisions of the Indenture) take all steps, actions and proceedings to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Borrower under the Loan Agreement, and certain rights of the Borrower under the Sublease Agreement assigned to the Trustee pursuant to the Assignment Agreement.

(e) The Bonds will not constitute a debt or liability, or a pledge of the faith and credit, of the State or of any political subdivision, agency, instrumentality or governmental unit thereof, other than the Authority, which will only be obligated to pay the Bonds solely from the funds pledged for their payment in accordance with the Indenture. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

(f) The Bonds will not constitute a debt or liability, or a pledge of the faith and credit, of the State of Kansas or of any political subdivision thereof. The issuance of the Bonds will not directly or indirectly or contingently obligate the State of Kansas or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Allocation of Payments; Funds and Accounts

Allocation of Payments. The Trustee will deposit all Payments (including, without limitation, Lease Payments held in the Borrower Revenue Fund which secure and are intended to be used to pay Loan Repayments) other than Additional Payments to the Debt Service Fund; provided that all interest, profits and other income received from the investment of moneys held in accounts established under the Indenture will be deposited as provided in the Indenture. On or before the twenty-fifth (25th) day of each month following the effectiveness of the Indenture, the Trustee will transfer from the Debt Service Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Debt Service Fund) and then to the Rebate Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

(1) To the Interest Account, one-sixth of the aggregate amount of interest becoming due and payable during the next succeeding Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest; provided that, if on any Interest Payment Date amounts in the Interest Account are insufficient to pay the aggregate amount of interest then due and payable, the Trustee will immediately transfer from the Debt Service Fund an amount sufficient to cause the balance in said account to be equal to said aggregate amount of interest;

(2) To the Principal Account, one-twelfth of the aggregate amount of principal becoming due to redeem or pay principal of Bonds maturing or any Mandatory Sinking Account Payment, until the balance in said Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments; provided that, if on any Principal Payment Date amounts in the Principal Account are insufficient to pay the aggregate amount of principal then due and payable, the Trustee will immediately transfer from the Debt Service Fund an amount sufficient to cause the balance in said account to be equal to said aggregate amount of principal;

(3) To the Reserve Account, (i) one-twelfth of the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Reserve Account if the balance in said account is at least equal to the Reserve Account Requirement, and (ii) in the event the balance in said account is less than the Reserve Account Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Indenture, the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount); and

(4) To the Rebate Fund, such amounts as are required to be deposited therein by the Indenture and the Tax Certificate;

On or after March 2, 2019, pursuant to a Written Request of the Borrower, any moneys remaining in the Debt Service Fund after the foregoing transfers will be transferred, on March 2 of any year, by the Trustee to the Borrower free and clear of the lien of the Indenture.

Application of Interest Account, Principal Account and Reserve Account. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture). All amounts in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds, as provided in the Indenture with respect to the Bonds. All amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Account or the Principal Account, or (together with any other funds available) for the payment or redemption of all Outstanding Bonds.

Establishment and Application of Redemption Fund. The Trustee will establish and maintain within the Redemption Fund, from and after the time when such accounts are first required under the Indenture, a separate Optional Redemption Account and a separate Special Redemption Account. The

Trustee will accept all moneys deposited for redemption and will deposit such moneys into the Optional Redemption Account or the Special Redemption Account, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account will be accepted and used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the redemption provisions of the Indenture, at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee will, upon written direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Debt Service Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Borrower.

Rebate Fund.

(a) The Trustee will establish and maintain, when required, a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee will maintain such accounts as will be necessary to comply with instructions of the Borrower given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. None of the Authority, the Borrower or the Holder of any Bonds will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the provisions summarized under this caption "*–Rebate Fund*," by the provisions summarized under the caption "Covenants–*Other Covenants; Amendment of the Loan Agre*ement" and by the Tax Certificate. The Trustee will be deemed conclusively to have complied with such provisions if it follows the directions of the Borrower including supplying all necessary information in the manner provided in the Tax Certificate, and will have no liability or responsibility to enforce compliance by the Borrower or the Authority with the terms of the Tax Certificate or any other tax covenants contained in the Indenture. The Trustee will not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee will have no independent duty to review such calculations or enforce the compliance by the Borrower with such rebate requirements. The Trustee will have no duty or obligation to determine the applicability of the Code and will only be obligated to act in accordance with written instructions provided by the Borrower.

(b) Upon the Borrower's written direction, an amount will be deposited to the Rebate Fund by the Trustee from deposits by the Borrower, if and to the extent required, so that the balance in the Rebate Fund will equal the Rebate Requirement. Computations of the Rebate Requirement will be furnished by or on behalf of the Borrower in accordance with the Tax Certificate. The Trustee will supply to the Borrower and/or the Authority all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee.

(c) The Trustee will have no obligation to rebate any amounts required to be rebated pursuant to the provisions of the Indenture summarized under this caption "*–Rebate Fund*," other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by the Borrower.

(d) At the written direction of the Borrower, the Trustee will invest all amounts held in the Rebate Fund in Eligible Securities, subject to the restrictions set forth in the Tax Certificate. Moneys will not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Trustee will not be liable for any consequences arising from such investment.

(e) Upon receipt of the Borrower's written directions, the Trustee will remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Borrower so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Borrower's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Borrower or the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, will be withdrawn and remitted to the Borrower.

(f) Notwithstanding any other provision of the Indenture, including in particular the defeasance provisions of the Indenture, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of the provisions summarized under this caption "–*Rebate Fund*," the provisions summarized under the caption "Covenants–*Other Covenants; Amendment of the Loan Agre*ement" and the Tax Certificate will survive the defeasance or payment in full of the Bonds.

Establishment and Application of Project Fund.

(a) The Trustee will establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund will be disbursed pursuant to Requisitions of the Borrower, which will be substantially in the form provided in the Indenture. Each such Requisition of the Borrower will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. No moneys in the Project Fund will be used to pay Costs of Issuance. The Trustee will accept moneys from the Borrower for deposit in the Project Fund from time to time and, upon request of the Borrower, will establish a separate account within the Project Fund to hold such moneys.

(b) When the Project will have been completed, there will be delivered to the Trustee a Certificate of the Borrower stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such Certificate, the Trustee will, as directed by said Certificate, transfer any remaining balance in such Project Fund to the Interest Account. Upon such transfer, the Project Fund will be closed unless otherwise provided in a Supplemental Indenture related to the issuance of Additional Bonds.

Establishment and Application of Costs of Issuance Fund and Insurance and Condemnation Proceeds Fund.

(a) The Trustee will establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." Moneys deposited in said fund will be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds upon Requisition of the Borrower stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the one hundred eightieth (180th) day following the initial issuance of the Bonds, amounts, if any, remaining in the Costs of Issuance Fund will be transferred to the Project Fund and the Costs of Issuance Fund will be closed.

(b) As and when needed, the Trustee will establish, maintain and hold in trust a separate fund designated as the "Insurance and Condemnation Proceeds Fund," and administer said fund as set forth in the Loan Agreement.

(c) Before any payment from the Insurance and Condemnation Proceeds Fund will be made, the Borrower will file or cause to be filed with the Trustee a Requisition of the Borrower stating: (1) the item number of such payment; (2) the name of the Person to whom each such payment is due, which may be the Borrower in the case of reimbursement for costs of such repair or replacement theretofore paid by the Borrower; (3) the respective amounts to be paid; (4) the purpose by general classification for which each obligation to be paid was incurred; (5) that obligations in the stated amounts have been incurred by the Borrower and are presently due and payable and that each item thereof is a proper charge against the Insurance and Condemnation Proceeds Fund and has not been previously paid from the Insurance and Condemnation Proceeds Fund; and (6) that there has not been filed with or served upon the Borrower any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition of the Borrower, for which adequate security for the payment of such obligation has been posted, or which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

(d) Upon receipt of a Requisition of the Borrower, the Trustee will pay the amount set forth in such Requisition of the Borrower as directed by the terms thereof out of the Insurance and Condemnation Proceeds Fund. The Trustee may conclusively rely upon such Requisition of the Borrower and will have no responsibility or duty to investigate any of the matters set forth therein. The Trustee will not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment, unless adequate security for the payment of such obligation has been posted.

(e) When the repair or replacement of damaged, destroyed or taken property will have been completed, the Borrower will deliver to the Trustee a Certificate of the Borrower stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Insurance and Condemnation Proceeds Fund is to be maintained in the full amount of such claims until such dispute is resolved). Subject to the Loan Agreement, the Borrower will direct the Trustee by said Certificate of the Borrower to transfer any remaining balance in the Insurance and Condemnation Proceeds Fund, less the amount of any such retention, to the Special Redemption Account of the Redemption Fund or, at the election of the Borrower, to the Debt Service Fund. Upon the disbursement of all moneys in the Insurance and Condemnation Proceeds Fund, such fund will thereafter be closed until such time as such fund is again required to be established pursuant to paragraph (b) above.

Investment of Moneys in Funds and Accounts. Except as otherwise provided in provisions of the Indenture summarized under "Defeasance–*Deposit of Money or Securities with Trustee*" below, all moneys in any of the funds and accounts established pursuant to the Indenture will be invested by the Trustee solely in such Eligible Securities, that are available when needed, as are specified in a Request of the Borrower, provided, however, that, if the Borrower does not file such a Request with the Trustee, the Trustee will invest to the extent practicable in investments described in clause (7) of the definition of the term "Eligible Securities" above; provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee will have received a Request of the Borrower specifying a specific money market fund and, if no such Request of the Borrower is so received, the Trustee will hold such moneys uninvested.

All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in the Project Fund will be deposited when received in the Interest Account. To the extent amounts in the Reserve Account are less than or equal to the Reserve Account Requirement, all interest, profits and other income received from investment of moneys will be deposited when received in such fund. To the extent amounts in the Reserve Account are greater than the Reserve Account Requirement, all interest, profits and other income received from investment of moneys will be deposited in the Debt Service Fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the Indenture will be deposited in the Debt Service Fund.

Subject to the provisions of the Indenture summarized under "Defeasance–*Deposit of Money or Securities with Trustee*" below, investments in any and all funds and accounts established pursuant to the Indenture may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in a particular fund amounts received or held by the Trustee under the Indenture, provided that the Trustee will at all times account for such investments strictly in accordance with the particular funds to which they are credited and otherwise as provided in the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. To the extent Eligible Securities are registrable, such investments will be registered in the name of the Trustee. The Trustee may sell or present for redemption, any securities so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities are credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

The Trustee is authorized by the Indenture, in making or disposing of any investment permitted by the provisions of the Indenture summarized under this caption "*–Investment of Moneys in Funds and Accounts*," to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account. No float forward or forward purchase agreement or other arrangement, agreement or financial product may be utilized in connection with the Debt Service Fund.

The Borrower acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Borrower specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Borrower periodic cash transaction statements which will include detail for all investment transactions made by the Trustee under the Indenture.

Amounts Remaining in Funds and Accounts. Any amounts remaining in the Debt Service Fund or any other fund or account established under the Indenture (other than amounts held in the Rebate Fund, which will be governed by the Indenture and the Tax Certificate) after payment in full of the Bonds (or after provision for payment thereof as provided in the Indenture) and payment of the fees, charges and expenses of the Trustee and the Authority and other amounts for which the Borrower is obligated to make Additional Payments under the Loan Agreement, will belong and be paid to the Borrower by the Trustee.

Additional Payments. Promptly upon receipt from the Borrower of Additional Payments, the Trustee will pay itself all amounts due to it under the Indenture and transfer Additional Payments, in an amount equal to all Administrative Fees and Expenses then due and unpaid, to the Authority at the Remittance Address; except that payments of the Authority's annual fee will be remitted to the Authority at the times specified in the Loan Agreement. The Trustee will apply all remaining Additional Payments to pay the costs specified in the Loan Agreement which have been billed to the Borrower and remain unpaid, subject to receipt by the Trustee of copies of any applicable invoices.

Additional Bonds and Refunding Bonds

Additional Bonds and Refunding Bonds. In accordance with the Indenture, including the requirements described under this caption "*—Additional Bonds and Refunding Bonds*", one or more Series of Additional Bonds may be issued, authenticated and delivered (in the Authority's sole and exclusive discretion) for the purpose of financing or refinancing the acquisition, construction, improvement and equipping of classroom, office, housing, dining, parking or other educational or operational facilities comprising the Project, such facilities to be sponsored and controlled by, and owned and operated by or on behalf of, the University and for the making of any deposits (including to the Reserve Account) into the funds and accounts required by the Supplemental Indenture authorizing the issuance of such Series of Bonds in connection with such purpose. Additional Bonds issued for such purposes will be issued in a principal amount not to exceed, together with other moneys available therefor, the Borrower's estimate (such information to be provided by the Borrower to the Authority) of the reasonable costs of the portion of the project to be financed or refinanced with the proceeds of the sale of such Additional Bonds, including providing amounts for the costs incidental to or connected with any such financing and the making of any deposits into the Reserve Account and the funds and accounts required by the provisions of the Supplemental Indenture authorizing such Series of Additional Bonds.

Additional Bonds of each Series will be authenticated and delivered by the Trustee only upon receipt by the Trustee of all documents required under the Indenture (including, without limitation, the documents described under the caption "*—Additional Documents*") and under the Loan Agreement with respect to such issuance of Additional Bonds and an Opinion of Counsel to the Borrower addressed to the Trustee to the effect that the requirements of the Loan Agreement and the Indenture are satisfied in connection with the issuance of such Additional Bonds, which opinion may be based upon a Certificate of an Authorized Borrower Representative.

(b) One or more Series of Refunding Bonds may be issued, authenticated and delivered (in the Authority's sole and exclusive discretion) to refund all or any portion of the Outstanding Bonds of one or more Series including any portion of any maturity within one or more Series. Refunding Bonds will be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding, including providing amounts for the costs incidental to or connected with any such financing and the making of any deposits into the Reserve Account and any of the funds and accounts required by the provisions of the Supplemental Indenture authorizing such Series of Refunding Bonds. Refunding Bonds of each Series will be authenticated and delivered by the Trustee only upon: (1) Satisfaction of the provisions described under the caption "Defeasance—*Discharge of Liability on Bonds*" with respect to the refunded Bonds; (2) Receipt by the Trustee of all documents required under the Indenture and the Loan Agreement with respect to such issuance of Refunding Bonds; and (3) Receipt by the Trustee of an Opinion of Counsel to the Borrower addressed to the Trustee to the effect that the requirements of the Loan Agreement and the Indenture are satisfied in connection with the issuance of such Refunding Bonds, which opinion may be based upon a Certificate of an Authorized Borrower Representative.

Additional Documents. All (but not less than all) of the Additional Bonds or Refunding Bonds of any Series will be executed by the Authority for issuance under the Indenture and delivered to the Trustee and thereupon will be authenticated by the Trustee and delivered by the Trustee to the Authority or upon its Order, but only upon the receipt by the Trustee of the following items (upon which receipt the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied): (i) an executed copy of the Supplemental

Indenture authorizing such Bonds, certified by an Authorized Signatory of the Authority to be in full force and effect, which will, among other provisions, specify the items listed below in paragraphs (1) through (13), and (ii) the items listed in paragraphs (14) through (19):

(1) the authorized principal amount of the Bonds of such Series and the Series designation of such Bonds;

(2) the purpose for which such Series of Bonds is being issued, which shall be solely for the purpose of financing or refinancing the acquisition, construction, improvement and equipping of classroom, office, housing, dining, parking or other educational or operational facilities, including without limitation, the Project, such facilities to be sponsored and controlled by, and owned and operated by or on behalf of, the University and for the making of any deposits (including to the Reserve Account) into the funds and accounts required by the Supplemental Indenture authorizing the issuance of such Series of Bonds in connection with such purpose;

(3) the date, and the maturity date or dates, of the Bonds of such Series;

(4) the interest rate or rates on the Bonds of such Series, and the Interest Payment Dates therefor;

(5) the Authorized Denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

(6) the place or places of payment of the principal of, premium, if any, and interest on, the Bonds of such Series;

(7) the redemption price or prices, if any, and, subject to the terms of the Indenture, the redemption terms for the Bonds of such Series;

(8) whether the Bonds of such Series are to be registered in the name of a Depository, or its nominee, and any provisions appropriate or necessary with respect to the arrangements made with the Depository for such Bonds;

(9) the application of the proceeds of the sale of such Bonds including the amount, if any, to be deposited in the funds and accounts established under the Indenture;

(10) the forms of the Bonds of such Series and of the Trustee's certificate of authentication thereon;

(11) provisions relating to assisting an underwriter in compliance with the continuing disclosure provisions of S.E.C. Rule 15c2-12, if applicable; and

(12) such other provisions as are necessary and appropriate and not inconsistent with the Indenture;

(13) The amount, if any, necessary for deposit in the Reserve Account so that the amount in such account will equal the Reserve Account Requirement calculated immediately after the authentication and delivery of such Series of Bonds;

(14) A certificate of an Authorized Signatory stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and

applicable to the Authority; provided, however, that in the case of Refunding Bonds such certificate may state that upon the application of the proceeds of such Refunding Bonds in accordance with the Supplemental Indenture authorizing their issuance, the Authority will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and applicable to the Authority;

(15) A certificate of an Authorized Borrower Representative stating that the Borrower is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Loan Agreement and applicable to the Borrower; provided, however, that in the case of Refunding Bonds such certificate may state that upon the application of the proceeds of such Refunding Bonds in accordance with the Supplemental Indenture authorizing their issuance, the Borrower will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Loan Agreement and applicable to the Borrower;

(16) In respect of Additional Bonds or Refunding Bonds, an executed copy of the Loan Agreement, certified by an Authorized Borrower Representative and an Authorized Signatory of the Authority to be in full force and effect, amended so as to increase Loan Repayments by an amount at least sufficient to pay the principal of, premium, if any and interest on such Additional Bonds or Refunding Bonds as the same become due, as evidenced in a written certificate of an Independent Consultant; provided that, in connection with the issuance of Refunding Bonds only, such amendment may also reduce the scheduled Loan Repayments due on any date by an amount equal to the principal and interest that would have also been due on such date with respect to any Bonds paid or defeased pursuant to the Indenture in connection with the issuance of such Refunding Bonds, as evidenced in a written certificate of an Independent Consultant;

(17) In respect of Additional Bonds or Refunding Bonds, an executed copy of either (i) the Sublease Agreement amended so as to increase the Base Lease Payments by an amount at least sufficient to provide available funds to the Borrower to make the Loan Repayments described in paragraph (16) above together with any other Payments due in connection with the issuance of such Additional Bonds or Refunding Bonds, as evidenced in a written certificate of an Independent Consultant, and certified by an Authorized Borrower Representative to be in full force and effect; or (ii) a new ground lease, sublease, and assignment agreement with respect to additional property and facilities, each entered into by and between the Borrower and the University and, in the case of the assignment agreement, the Trustee, and certified by an Authorized Borrower Representative to be in full force and effect, in substantially the same form as the Ground Lease, the Sublease Agreement and the Assignment Agreement, and providing for lease payments payable by the University to the Borrower in amounts at least sufficient to provide available funds to the Borrower to make the Loan Repayments described in paragraph (16) above together with any other Payments due in connection with the issuance of such Additional Bonds or Refunding Bonds, as evidenced in a written certificate of an Independent Consultant, which additional payments are designated by the Borrower as “Lease Payments” under the Loan Agreement, amended as described in paragraph (16) above;

(18) Such further documents, moneys and securities as may be required by the Indenture as originally executed or any Supplemental Indenture; and

(19) An Opinion of Counsel to the Authority addressed to the Trustee stating that all conditions precedent to the authorization of the Bonds have been satisfied.

Defeasance

Discharge of Indenture. Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

(i) by paying or causing to be paid the principal of and interest on the Bonds Outstanding as and when the same become due and payable;

(ii) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as described under the caption "*–Deposit of Money or Securities with Trustee*") to pay or redeem Bonds Outstanding; or

(iii) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding.

(b) If the Bonds are paid in full in accordance with the Indenture as a result of a prepayment of the Loan pursuant to the Loan Agreement and the related redemption of the Bonds, the Trustee, upon receipt of an Opinion of Counsel stating that the conditions precedent thereto have been satisfied, will release the Assignment Agreement relating to the Project in accordance with instructions from the Borrower.

(c) If the Authority pays all Bonds then Outstanding as provided under this caption "*—Discharge of Indenture*" and also pays or causes to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Payments made thereunder and all covenants, agreements and other obligations of the Authority under the Indenture will cease, terminate, become void and be completely discharged and satisfied, except only as described under the caption "*—Discharge of Liability on Bonds*". In such event, upon request of the Authority, the Trustee will cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and, upon receipt of an Opinion of Counsel stating that the conditions precedent thereto have been satisfied, will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Trustee.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as described under the caption "*–Deposit of Money or Securities with Trustee*") to pay any Outstanding Bond, whether upon or prior to its maturity, then all liability of the Authority in respect of such Bond will cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority will remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment; provided further, however, that the provisions described under the caption "*–Payment of Bonds after Discharge of Indenture*" shall apply in all events.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the amount necessary to pay any Bonds, such amount (which may include money or securities held by the Trustee in the funds established pursuant to the Indenture) will be equal (taking into account income which will accrue from the investment thereof on the date of deposit of such funds but without taking into account any income from the subsequent reinvestment thereof) to the principal amount of such Bonds and all unpaid interest thereon to maturity, and will be:

(a) lawful money of the United States of America; or

(b) noncallable bonds, bills and bonds issued by the Department of the Treasury (including without limitation (1) obligations issued or held in book-entry form on the books of the Department of the Treasury and (2) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form), United States Treasury Obligations State and Local Government Series and Zero Coupon United States Treasury Bonds;

provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal of and interest on such Bonds and provided, further, that the Authority and the Trustee have received a verification report of a firm of certified public accountants or other financial services firm acceptable to the Authority verifying that the money or securities so deposited or held together with earnings thereon will be sufficient to make all payments of principal of and interest on the Bonds to be discharged to and including their maturity date.

Payment of Bonds after Discharge of Indenture. Notwithstanding any provision of the Indenture, and subject to applicable escheat laws, any moneys held by the Trustee in trust for the payment of the principal of or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or by declaration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will be repaid to the Borrower free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Borrower as aforesaid, the Trustee may (at the cost of the Borrower) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Borrower of the moneys held for the payment thereof.

Covenants and Representations

Punctual Payment. The Authority covenants that it will punctually pay, or cause to be paid, but only out of Payments and pledged funds as provided in the Indenture, the principal and interest to become due in respect of every Bond issued under the Indenture at the times and places and in the manner provided in the Indenture and in the Bonds, according to the true intent and meaning thereof.

Extension of Payment of Bonds. The Authority covenants that it will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement except with the written consent of the Bondholders and, if the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended without the written consent of the

Bondholders, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which will not have been so extended. Nothing in this paragraph will be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of the Bonds.

Encumbrance Upon Payments. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Payments and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for books of record and account relating to similar trust accounts and in accordance with the customary standards of the corporate trust industry for such books of record and account, in which accurate entries will be made of all transactions made by it relating to the proceeds of Bonds, the Payments, the Loan Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority, the Borrower and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable circumstances.

Other Covenants; Amendment of the Borrower Documents.

(a) Subject to the provisions of the Indenture, the Trustee will promptly collect all amounts due pursuant to the Loan Agreement and diligently enforce and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority under the Loan Agreement assigned to it pursuant to the Indenture.

(b) Other than as expressly permitted in the Indenture and the Loan Agreement, the Authority will not amend, modify, terminate or assign any of the terms of the Loan Agreement, or consent to any such amendment, modification, termination or assignment, without the prior written consent of the Trustee. The Trustee will give such written consent only upon receipt of an Opinion of Bond Counsel to the effect that such supplement, amendment, modification, termination or assignment will not cause interest on the Tax-Exempt Bonds to be included in the gross income of the Holder thereof for federal income tax purposes and only if (1) the Trustee has received a written representation from the Authority to the effect that such supplement, amendment, modification, termination or assignment will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the provisions of the Indenture and will be subject to the provisions of the Indenture relating to the non-liability of the Authority); provided that, if any of certain Events of Default described in the Indenture has occurred and is continuing, the Trustee rather than the Authority will make a determination that such supplement, amendment, modification, termination or assignment will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on an Opinion of Counsel that the interests of the Holders of the Bonds are not materially and adversely affected), (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such supplement, amendment, modification, termination or assignment, provided that no such supplement, amendment, modification, termination or assignment will reduce the amount of Payments payable to the Authority, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding, or (3) such supplement, amendment, modification, termination or assignment is necessary pursuant to provisions of the Loan Agreement.

(c) Pursuant to the Loan Agreement, the Borrower has covenanted not to supplement, amend, modify, terminate or assign, or permit the assignment of, any Borrower Document, other than as expressly permitted in the Indenture and the Loan Agreement, without the prior written consent of the Trustee. The Trustee will give such written consent only upon receipt of an Opinion of Bond Counsel to the effect that such supplement, amendment, modification, termination or assignment will not cause interest on the Tax-Exempt Bonds to be included in the gross income of the Holder thereof for federal income tax purposes and only if (1) it has received a written representation from the Authority to the effect that such supplement, amendment, modification, termination or assignment will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the provisions of the Indenture and will be subject to the provisions of the Indenture relating to the non-liability of the Authority); provided that, if any of certain Events of Default described in the Indenture has occurred and is continuing, the Trustee rather than the Authority will make a determination that such supplement, amendment, modification, termination or assignment will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on an Opinion of Counsel that the interests of the Holders of the Bonds are not materially and adversely affected), (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such supplement, amendment, modification, termination or assignment, provided that no such supplement, amendment, modification, termination or assignment shall reduce the amount of Payments payable to the Authority, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding, or (3) such supplement, amendment, modification, termination or assignment is necessary pursuant to the Loan Agreement; provided in all cases, however, that no such supplement, amendment, modification or termination or assignment will reduce the amount of Lease Payments payable as of any date by the University, and assigned to the Trustee pursuant to the Assignment Agreement, to an amount that is less than the amount of Loan Repayments, together with Additional Payments, if any, to become due and payable as of such date.

Waiver of Laws. Except in respect of the Unassigned Rights, for which the Authority will waive no rights whatsoever, the Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

Further Assurances. Subject to the provisions of the Indenture relating to the non-liability of the Authority, the Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. Pursuant to the Loan Agreement, the Borrower has undertaken all responsibility for compliance with continuing disclosure requirements and to cause the University to comply with its obligations under the Continuing Disclosure Agreement pursuant to the terms of the Sublease Agreement and the Continuing Disclosure Agreement, and the Authority will have no responsibility for or liability to the Bondholders or any other person with respect to the Securities and Exchange Commission Rule 15c2-12. Notwithstanding any other provision of the Indenture, failure of the Borrower to comply with the Continuing Disclosure Agreement or to cause the University to comply with its obligations under the Continuing Disclosure Agreement pursuant to the terms of the Sublease

Agreement and the Continuing Disclosure Agreement will not be considered an Event of Default; however, the Trustee, at the written request of the Representative or the Holders of at least a majority in aggregate principal amount of Outstanding Bonds, will (but only to the extent the Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expense of its counsel and agents and additional fees and charges of the Trustee) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under the Continuing Disclosure Agreement or, as to any Bondholder or Beneficial Owner, to cause the Borrower to comply with its obligations summarized in this paragraph, or to cause the University to comply with its obligations under the Continuing Disclosure Agreement pursuant to the terms of the Sublease Agreement and the Continuing Disclosure Agreement.

Tax Covenants.

(a) The Authority covenants that it will not knowingly take any action, or knowingly fail to take any action, if such action or failure to take such action, would result in the interest on the Tax-Exempt Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. In furtherance of the foregoing, the Authority covenants that it will comply with all requirements of the Tax Certificate applicable to it. This covenant will survive the payment in full or the defeasance of the Bonds.

(b) In the event that at any time the Borrower is of the opinion that for purposes of the provisions summarized under this caption "*–Tax Covenants*" it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Authority (but only at the direction of the Borrower) will so instruct the Trustee in a Request of the Authority accompanied by a supporting Opinion of Bond Counsel, procured by and at the sole expense of the Borrower, and the Trustee will take such action as may be directed in accordance with such instructions.

(c) Notwithstanding any provisions summarized under this caption "*–Tax Covenants*," if the Borrower will provide to the Trustee and the Authority an Opinion of Bond Counsel to the effect that any specified action required under this paragraph is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the provisions of the Indenture regarding tax covenants and the Tax Certificate, and the covenants under the Indenture will be deemed to be modified to that extent.

Events of Default; Remedies on Default

Events of Default; Waiver of Default. If one or more of the following events ("Events of Default") happens, that is to say: (a) if default is made by the Authority in the due and punctual payment of the principal of any Bond as the same becomes due and payable (whether at maturity, by declaration or otherwise); (b) if default is made by the Authority in the due and punctual payment of interest on any Bond when and as such interest becomes due and payable; (c) if an Event of Default, as such term is defined in the Loan Agreement, will occur and be continuing; or (d) if default is made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default will have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Authority by the Trustee, or to the Authority, the Borrower and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; then and in each and every such case during the continuance of such Event of Default, the provisions summarized in this section "Events of Default; Remedies on Default" apply.

Institution of Legal Proceedings by Trustee.

(a) If one or more of the Events of Default will occur, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee will proceed to protect or enforce its rights or the rights of the holders of Bonds under the Indenture, the Loan Agreement, the Assignment Agreement and any other applicable Borrower Document, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture or therein, or in aid of the execution of any power in the Indenture or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties under the Indenture, provided that any such request from the Bondholders will not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

(b) Notwithstanding anything to the contrary in the Indenture, the Authority will have no obligation to, and instead the Trustee, in accordance with the Indenture, may, without further direction from or action by the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than the Unassigned Rights) under the Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under the Loan Agreement.

Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to the provisions summarized in the paragraphs under "*–Institution of Legal Proceedings by Trustee*" above and any other amounts then held by the Trustee under the Indenture, will be applied in the following order, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of costs and expenses of collection and reasonable compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other expenses and liabilities incurred, and for advances, together with interest on such advances at a rate per annum equal to the Bond yield plus two percent, made pursuant to the provisions of the Indenture.

Second: To the Authority for any unpaid fees, costs or expenses incurred by the Authority or any other amounts due to the Authority or any Authority Indemnified Person in respect of the Unassigned Rights (including, without limitation, indemnification payments).

Third: In case the principal of any of the Bonds will have become due by declaration or otherwise and remains unpaid, first to the payment of interest in default or otherwise due and unpaid, and then to the payment of the principal of all Bonds then due and unpaid, in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

Whenever moneys are to be applied pursuant to the provisions of the Indenture summarized under this caption "*–Application of Moneys Collected by Trustee*," such moneys will be applied at such times, and from time to time, as the Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee will apply such funds, it will fix the date (which will be the Interest

Payment Date unless the Trustee will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date will cease to accrue.

Whenever all principal of and interest on all Bonds have been paid under the provisions of the Indenture summarized under this caption "–*Application of Moneys Collected by Trustee*," and all fees, expenses and charges of the Trustee (including without limitation those of its attorneys) have been paid, any balance remaining in the funds and accounts under the Indenture will be paid to the Borrower in accordance with the Indenture.

Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any Holder of Bonds, or of the Authority or any Authority Indemnified Person in respect of the Unassigned Rights, to exercise any right or power arising from any default will impair any such right or power or will be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by provisions of the Indenture governing Events of Default and remedies on default to the Trustee or to the Holders of Bonds may be exercised from time to time, and as often as will be deemed expedient. In case the Trustee will have proceeded to enforce any right under the Indenture, and such proceedings will have been discontinued or abandoned because of waiver or for any other reason, or will have been determined adversely to the Trustee, then and in every such case the Authority and the Trustee, and the Holders of the Bonds, severally and respectively, will be restored to their former positions and rights under the Indenture in respect to the trust estate; and all remedies, rights and powers of the Authority, the Trustee and the Holders of the Bonds will continue as though no such proceedings had been taken.

Remedies Cumulative. No remedy in the Indenture conferred upon or reserved to the Trustee or to any Holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity.

Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay, but only out of Payments and other funds pledged for such payment under the Indenture (other than Additional Payments constituting Administrative Fees and Expenses), to the Trustee, upon demand, for the benefit of the Holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest and principal as the case may be, and all other sums which may be due under the Indenture or secured by the Indenture, including reasonable compensation to the Trustee and its agents and counsel and any expenses or liabilities incurred by the Trustee under the Indenture and, its agents and counsel. In case the Authority will fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, will be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, will be limited to, and payable solely out of, Payments (other than Additional Payments) as provided in the Indenture and not otherwise. The Trustee will be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment will not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

Trustee Appointed Agent for Bondholders. The Trustee is appointed by the Indenture the agent and attorney-in-fact of the Holders of all Bonds Outstanding under the Indenture for the purpose of filing any claims relating to the Bonds.

Power of Trustee to Control Proceedings. Subject to the immediately following paragraph, in the event that the Trustee, upon the happening of an Event of Default, will have taken some action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondholders' Right to Sue. Notwithstanding any other provision of the Indenture, no Holder of any Bond issued under the Indenture will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Holder will have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Holders will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee. Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Holders of Bonds will have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Holders of the Outstanding Bonds. The right of any Holder of any Bond to receive payment of the principal of and interest on such Bond out of Payments and the funds pledged in the Indenture, as provided in the Indenture, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions of this paragraph or the immediately preceding paragraph or any other provision of the Indenture.

Unassigned Rights not Impaired. Nothing in the Indenture or elsewhere in the Indenture or the Loan Agreement will be deemed or construed in any way to limit, impair or affect the Authority's (or any Authority Indemnified Person's) right and ability to enforce the Unassigned Rights (including, without limitation, the rights to indemnification or exculpation from personal liability) notwithstanding the occurrence or existence of an Event of Default (including, without limitation, a payment default), or any action based thereon or occasioned by an Event of Default or alleged Event of Default, and regardless of any waiver or forbearance granted by the Trustee or any Bondholder in respect thereof. No default or Event of Default in respect of the Unassigned Rights or payment of Additional Payments constituting Administrative Fees and Expenses may be waived except upon the Authority's express written consent.

Control of Proceedings by Holders. The Holders of a majority in aggregate principal amount of Bonds then Outstanding will have the right, 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 and the exercise of any other right or power of the Trustee, provided that such direction will be in accordance with law and the provisions of the Indenture.

Enforcement of Rights of Action. All rights of action (including the right to file proof of claim) under the Indenture or under any Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee will be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Holders secured by the Indenture, and any recovery of judgment will be for the equal benefit of the Holders.

Notice of Default. The Trustee will mail, first class, postage prepaid, to the Authority, the Borrower, and all Holders at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default within thirty (30) days after the Trustee has notice of the same, that such Event of Default has occurred; provided that, except upon the happening of an Event of Default specified in the Indenture, the Trustee may withhold such notice to the Holders if in its opinion such withholding is in the interest of the Holders; and provided further that the Trustee will not be subject to any liability to any Holder by reason of its failure to mail any such notice.

The Trustee

Duties, Immunities and Liabilities of Trustee.

The Trustee will, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee will, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Authority may remove the Trustee at any time unless an Event of Default will have occurred and then be continuing, and will remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee will cease to be eligible in accordance with paragraph (e) below, or will become incapable of acting, or will be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property will be appointed, or any public officer will take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon will appoint, with the written consent of the Borrower, a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Authority, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the Bond registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee will have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture will signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee will execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and conveying to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture, including without limitation the Assignment Agreement, and will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority will mail a notice of the succession of such Trustee to the trusts under the Indenture to the Bondholders at the addresses shown on the Bond registration books maintained by the Trustee. If the Authority fails to mail such notice within thirty (30) days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Authority.

Any Trustee appointed under the provisions of the Indenture will be a trust company, national banking association, or banking institution having trust powers, doing business and having a corporate trust office in the State or, if it will not have a corporate trust office in the State, having the power under State law to perform all the duties of the Trustee under the Indenture as evidenced by an opinion of its counsel, having, or if it is a member of a bank holding company system its parent will have, a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by Wisconsin state or federal authorities. In case at any time the Trustee will cease to be eligible in accordance with the provisions of this paragraph, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

Merger or Consolidation. Any company into which any successor Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the successor Trustee, if any, may sell or transfer all or substantially all of its corporate trust business, provided such company will be eligible under the immediately preceding paragraph (e), will be the successor to such successor Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Rights of Trustee. The recitals of facts in the Indenture and in the Bonds contained will be taken as statements of the Authority, and the Trustee does not assume any responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture, the Loan Agreement, any other Borrower Document or the Bonds, or incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee is directed and authorized in the Indenture to execute and deliver the Assignment Agreement and Disbursement Agreement. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

The Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture. The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of the Indenture unless such Bondholders will have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

In executing and delivering or otherwise taking action in connection with any other transaction document relating to the Bonds, the Trustee will be entitled to all the rights, protections, immunities and indemnities granted to it under the Indenture.

The Trustee will not be deemed to have knowledge of any Event of Default other than an Event of Default under the Indenture in connection with principal and interest payments of any Bond unless and until it will have actual knowledge thereof, or will have received written notice thereof, at its Principal Corporate Trust Office. Except as otherwise expressly provided in the Indenture, the Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Bonds or as to the existence of an Event of Default under the Indenture.

No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers. The Trustee has no obligation or liability to the Bondholders for the payment of interest or principal with respect to the Bonds.

The Trustee will not be bound to ascertain or inquire as to the validity or genuineness of any collateral given to or held by it. The Trustee will not be responsible for the recording or filing of any document relating to the Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

The Trustee will not be concerned with or accountable to anyone for the subsequent use or application of any moneys which will be released or withdrawn in accordance with the provisions of the Indenture.

The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee will have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the Borrower elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Borrower agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee will not be liable to the parties to the Indenture or deemed in breach or default thereunder if and to the extent its performance under the Indenture is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure will include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, affiliates, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture, and the Trustee will not be answerable for the acts or omissions of any such attorney, agent, or receiver selected by it with reasonable care, except with respect to actions or omissions constituting gross negligence or willful misconduct.

The Trustee will have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

The Trustee will not be required to review or inspect, and will not be deemed to have notice of, the contents of any financial statement delivered to the Trustee, it being expressly understood that the Trustee will only receive and hold such documents as a repository for examination and copying by any Holder at such Holder's expense during business hours on Business Days with reasonable prior notice.

The Trustee will not be responsible or liable for the environmental condition or any contamination of any property secured by any mortgage or deed of trust or for any diminution in value of any such property as a result of any contamination of the property by any hazardous substance, hazardous material, pollutant or contaminant. The Trustee will not be liable for any claims by or on behalf of the Holders or any other person or entity arising from contamination of the property by any hazardous substance, hazardous material, pollutant or contaminant, and will` have no duty or obligation to assess the environmental condition of any such property or with respect to compliance of any such property under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

The Trustee will be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made.

Right of Trustee to Rely on Documents. The Trustee will be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in reliance thereon.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate of the Authority or the Borrower, and such Certificate will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture will be retained in its possession and will be subject at all reasonable times to the inspection of the Authority and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable conditions.

Compensation and Indemnification of Trustee. The Authority (solely from Payments received from the Borrower other than Additional Payments constituting Administrative Fees and Expenses) will from time to time, subject to any agreement between the Authority and the Trustee then in force, pay to the Trustee compensation for its services rendered by it in the execution of the trusts created by the Indenture and in the exercise and performance of any of the powers and duties under the Indenture of the Trustee (and such other transaction documents entered in connection herewith, including the Disbursement Agreement), which compensation will not be limited by any provision of law with respect to the compensation of a trustee of an express trust, and the Authority will reimburse the Trustee for all its advances (with interest on such advances at the maximum rate allowed by law) and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel (including in-house counsel to the extent not duplicative of other counsel's work) and engineers or other experts employed by it, and reasonably required, in the exercise and performance of its powers and duties under the Indenture (and such other transaction documents entered in connection herewith, including the Disbursement Agreement). The Authority covenants and agrees to indemnify and hold harmless the Trustee (solely from Payments received from the Borrower other than Additional Payments constituting Administrative Fees and Expenses) from and against any loss, expense and liability (other than those which are due to the Trustee's negligence or willful misconduct) which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture (and such other transaction documents entered in connection herewith, including the Disbursement Agreement), including the costs and expenses of defending against any claim of liability. The obligations of the Authority under this paragraph will survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Modification of Indenture

Modification without Consent of Bondholders. Subject to the conditions and restrictions contained in the Indenture, the Authority and the Trustee, from time to time and at any time, may enter into an indenture or indentures supplemental to the Indenture, which indenture or indentures thereafter will form a part of the Indenture, including, without limitation, for one or more of the following purposes, provided that the Authority and the Trustee will have received an Opinion of Bond Counsel to the effect that such amendment or modification will not cause interest on the Tax-Exempt Bonds to be included in the gross income of the Holder thereof for federal income tax purposes and the Trustee will have received a written representation from the Authority to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the Indenture):

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in the Indenture, or in regard to such matters or questions arising under the Indenture as the Authority may deem necessary or desirable and not inconsistent with the Indenture;

(c) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture or thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute;

(d) in connection with an amendment of any agreement permitted by the Indenture for the purpose of conforming the terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended agreement; or

(e) to provide for the issuance of Additional Bonds or Refunding Bonds.

Any supplemental indenture authorized by the provisions summarized above may be executed by the Authority and the Trustee without the consent of the Holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Indenture summarized under the caption "–*Modification with Consent of Bondholders*" below, but the Trustee will not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

The Trustee will mail an executed copy of a supplemental indenture authorized by the provisions summarized above and any document related thereto or executed in connection therewith to the Borrower and each Rating Agency then rating the Bonds promptly after execution by the Authority and the Trustee.

Modification with Consent of Bondholders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, the Authority and the Trustee may from time to time and at any time, with an Opinion of Bond Counsel to the effect that such amendment or modification will not cause interest on the Tax-Exempt Bonds to be included in the gross income of the Holder thereof for federal income tax purposes, enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture will (1) extend the fixed maturity of any Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof or (2) reduce the percentage of Holders of Bonds whose consent is required for the execution of such supplemental indentures or any supplement, amendment, modification, termination or assignment of any of the Borrower Documents, or extend the time of payment or permit the creation of any lien on the Payments or the funds pledged in the Indenture prior to or on a parity with the lien of the Indenture or deprive the Holders of the Bonds of the lien created by the Indenture upon the Payments or the funds pledged in the Indenture, without the consent of the Holders of not less than 75% in aggregate principal amount of the Bonds then Outstanding. Upon receipt by the Trustee of a Certificate of the Authority authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee will join with the Authority in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such supplemental indenture.

It will not be necessary for the consent of the Bondholders under the provisions summarized under this caption "*–Modification with Consent of Bondholders*" to approve the particular form of any proposed supplemental indenture, but it will be sufficient if such consent will approve the substance thereof.

Promptly after the execution by the Authority and the Trustee of any supplemental indenture pursuant to the provisions summarized under this caption "*–Modification with Consent of Bondholders*," the Trustee, at the expense of the Borrower, will mail a notice, setting forth in general terms the substance of such supplemental indenture, to the Borrower and the Bondholders at the addresses shown on the Bond registration books maintained by the Trustee. Any failure of the Trustee to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture.

The Trustee will mail an executed copy of such supplemental indenture and any amendment of any agreement in accordance with the Indenture to the Borrower and each Rating Agency then rating the Bonds promptly after execution by the Authority, the Trustee, and in the case of the Loan Agreement, the Borrower. The Authority will mail drafts of any such documents to such parties prior to execution thereof.

Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of the Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Holders of Outstanding Bonds will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture will be part of the terms and conditions of the Indenture for any and all purposes.

Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of the Indenture summarized above under "The Trustee–*Right of Trustee to Rely on Documents*" and the requirement described above under the captions " *–Modification without Consent of Bondholders*" and "*–Modification with Consent of Bondholders*," for an Opinion of Bond Counsel, the Trustee will be provided an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the Indenture complies with the requirements of the Indenture.

Notation of Modification on Bonds; Preparation of New Bonds. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of the Indenture may bear a notation, in form approved by the Authority, as to any matter provided for in such supplemental indenture, and if such supplemental indenture will so provide, new Bonds, so modified as to conform, in the opinion of the Authority, to any modification of the Indenture contained in any such supplemental indenture, may be prepared by the Authority, authenticated by the Trustee and delivered without cost to the Holders of the Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts.

Miscellaneous

Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, will be sufficient for any purpose of the Indenture and will be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this paragraph. The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of Bonds will be proved by the bond registration books held by the Trustee. Any request, consent, or other instrument or writing of the Holder of any Bond will bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Authority, the Borrower or the University or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Borrower or the University will be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that in determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that the Trustee actually knows to be so owned will be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this paragraph if the pledgee will establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Borrower or the University. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon request of the Trustee, the Authority and the Borrower will specify in a certificate to the Trustee those Bonds disqualified and the Trustee may conclusively rely on such certificate.

Funds and Accounts. Any fund required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds will at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of the Indenture (and the Tax Certificate) and for the protection of the security of the Bonds and the rights of every Holder thereof.

Waiver of Personal Liability. No Authority Indemnified Person will be individually or personally liable for the payment of the principal, premium, if any, or interest on the Bonds or any costs incidental thereto or any sum under the Indenture or the Loan Agreement or any claims based thereon, or be subject to any personal liability or accountability by reason of the execution and delivery of the Indenture, the Bonds or the Loan Agreement.

Authority's Performance. None of the provisions of the Indenture will require the Authority to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers thereunder, unless payable from the funds pledged for their payment in accordance with the Indenture, or unless the Authority will first have been adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred thereby. The Authority will not be under any obligation under the Indenture to perform any administrative service with respect to the Bonds or the Project (including, without limitation, record keeping and legal services), it being understood that such services will be performed or provided by the Trustee or the Borrower. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in the Indenture, the Loan Agreement, and any and every Bond executed, authenticated and delivered under the Indenture; provided, however, that the Authority will not be obligated to take any action or execute any instrument pursuant to any provision in the Indenture unless and until it has (i) been requested to do so in writing by the Borrower, the Trustee or the Bondholders; (ii) received from the party requesting such action or execution assurance satisfactory to the Authority that the Authority's reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument have been or will be paid or reimbursed to the Authority; and (iii) if applicable, received in a timely manner the instrument or document to be executed, in form and substance satisfactory to the Authority. In complying with any provision in the Indenture or in the Loan Agreement requiring the Authority to "cause" another Person to take or omit any action, the Authority will be entitled to rely conclusively (and without independent investigation or verification) on the faithful performance by the Trustee or the Borrower, as the case may be, of their respective obligations under the Indenture and the Loan Agreement. In acting, or in refraining from acting, under the Indenture, the Authority may conclusively rely on the advice of its counsel.

Third Party Beneficiaries. Notwithstanding anything to the contrary in the Indenture, it is specifically acknowledged and agreed that, to the extent of their rights thereunder (including, without limitation, their rights to immunity and lack of pecuniary liability) each Authority Indemnified Person is a third-party beneficiary of the Indenture entitled to enforce such rights in his, her, its or their own name.

Governing Law; Venue. The Indenture will be governed by and construed in accordance with the laws and judicial decisions of the State, without reference to any choice of law principles, and without regard to its conflict of law provisions, except as such laws may be preempted by any federal rules, regulations and laws applicable to the Authority or the Trustee. The parties under the Indenture expressly acknowledge and agree that all claims of whatever character arising out of the Indenture, or under any statute or common law relating in any way, directly or indirectly, to the subject matter of the Indenture or to the dealings between the Authority and any other party to the Indenture, if and to the extent that such claim potentially could or actually does involve the Authority or any Authority Indemnified Person, will be brought in any state or federal court of competent jurisdiction located in Dane County, Wisconsin. By executing and delivering the Indenture, each party irrevocably: (i) accepts generally and unconditionally the exclusive jurisdiction and venue of such courts; (ii) waives any defense of *forum non conveniens*; and (iii) agrees not to seek removal of such proceedings to any court or forum other than as specified above. The foregoing will not be deemed or construed to constitute a waiver by the Authority of any prior notice or procedural requirements applicable to actions or claims against or involving governmental units or joint powers commissions of the State that may exist at the time of and in connection with such matter.

The Loan Agreement

The Loan Agreement provides for, among other things, the loan of the Series 2016 Bond proceeds by the Authority to the Borrower, certain covenants of the Borrower relating to the loan, including repayment of the loan, and defines events of default and remedies therefor. Certain provisions of the Loan Agreement are summarized below. ***This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.***

Loan Financing; Loan Repayments; Indemnification

Agreement to Issue Bonds and Application of Bond Proceeds. To provide financing for the Loan, the Authority, concurrently with the execution of the Loan Agreement, will issue, sell and deliver the Bonds and direct the proceeds thereof to be deposited with the Trustee and applied as provided in the Indenture. The Authority and the Borrower agree that the proceeds of the Bonds will be applied solely in accordance with the Indenture for the purpose of making the Loan and facilitating the issuance of the Bonds. The Borrower approves the terms and provisions of the Indenture and, to the extent applicable, agrees to be bound by such terms.

The Loan; Loan Repayments; Additional Payments.

(a) The Loan. The Authority agrees, upon the terms and conditions specified in the Loan Agreement, to loan to the Borrower that portion of the proceeds received by the Authority from the sale of the Bonds, excluding any accrued interest, as set forth in the Indenture by causing such proceeds to be deposited with the Trustee for disposition as provided in the Loan Agreement and in the Indenture. The obligation of the Authority to make the Loan will be deemed fully discharged upon the deposit of the proceeds of the Bonds with the Trustee.

(b) Loan Repayments. The Lease Payments of the Borrower will be used to pay, among other things, the following amounts (which collectively constitute the "Loan Repayments"):

(i) an amount equal to the aggregate amount of interest payable by the Authority on the then Outstanding Bonds, including all amounts necessary to fund the transfers required from the Debt Service Fund to the Interest Account pursuant to the Indenture;

(ii) on or before the maturity of the Bonds, an amount equal to the principal amount with respect to the Bonds, including all amounts necessary to fund the transfers required from the Debt Service Fund to the Principal Account pursuant to the Indenture; and

(iii) on or before any redemption date, such amounts as will, together with any other money available therefor, be sufficient to pay all amounts, if any, required to redeem the Bonds pursuant to the provisions of the Indenture, including any related redemption premium;

The Loan Repayments and all other amounts provided under this caption "*–The Loan; Loan Repayments; Additional Payments*," will be payable in such lawful money of the United States of America as at the time of payment will be legal tender for the payment of public and private debts. All deposits under the Loan Agreement will be made at the Principal Corporate Trust Office of the Trustee, or at such other location as will be designated in writing by the Trustee to the Borrower.

The Borrower will pay, or cause to be paid, the Loan Repayments from the Lease Payments, or from any other legally available funds, without any further notice thereof except as may be specifically required by the provisions under this caption "*–The Loan; Loan Repayments; Additional Payments*." The

Loan Repayments payable by the Borrower under the Loan Agreement are expected to be equal to an amount which, together with other funds in the Debt Service Fund then available for the payment of principal and interest on the Bonds, will be sufficient to provide for the payment in full of the interest on, premium, if any, and principal of the Bonds as the same become due and payable.

(c) Additional Payments. In addition to the Loan Repayments, the Borrower will also pay from Lease Payments amounts due and payable pursuant to the Indenture to replenish amounts on deposit in the Reserve Account, and certain Trustee fees (including, as applicable, dissemination agent fees under the Continuing Disclosure Agreement), Authority expenses, costs of issuance, fees and expenses of the Rating Agency and Rebate Analyst and other miscellaneous amounts to the Authority or to the Trustee, as the case may be.

Failure to Make Payments. In the event the Borrower will fail to deposit, or fail to cause to be deposited, with the Trustee any Loan Repayments as required by the provisions under this caption "*–The Loan; Loan Repayments; Additional Payments*," the Loan Repayments or other payments required under the Loan Agreement will continue as an obligation under the Loan Agreement of the Borrower until the amount in default will have been fully paid.

Obligations of Borrower Unconditional. The Borrower will pay to or upon the order of the Authority, at or before the time when payable by the Authority, all costs and liabilities incurred by the Authority, including without limitation fees and expenses of counsel to the Authority, in connection with the issuance of the Bonds and the making of the Loan to the Borrower in the Loan Agreement, or otherwise as a result of the transactions contemplated by the Borrower Documents or the Indenture.

The obligations of the Borrower to make the payments as required in the Loan Agreement, and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement, will be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim which the Borrower may otherwise have against the Authority. The Borrower will not: (1) suspend, discontinue, or abate any payment required by the provisions under this caption "*–The Loan; Loan Repayments; Additional Payments*" (except as provided in the Loan Agreement); (2) fail to observe any of its other covenants or agreements in the Borrower Documents; or (3) terminate the Loan Agreement or the other Borrower Documents for any cause whatsoever (except as provided with prepayment of the loan under the Loan Agreement), including without limiting the generality of the foregoing, any declaration or finding that the Bonds, the Indenture, or any portion of the Loan Agreement or the other Borrower Documents are invalid or unenforceable, and, any failure of the Authority to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation, arising out of or in connection with the Loan Agreement or otherwise.

Pledge of Borrower Revenue Fund. The Borrower agrees that, as long as any of the Bonds remain Outstanding or any Additional Payments remain unpaid, all of the Lease Payments of the Borrower will be deposited as soon as practicable upon receipt thereof in a fund or funds designated as the "Borrower Revenue Fund," which the Borrower will establish and maintain, and will continue to maintain, in an account or accounts with the Trustee for such purpose. Subject to the provisions of the Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Loan Agreement, the Borrower pledges, and to the extent permitted by law, grants a security interest to the Trustee, as assignee of the Authority (for the benefit of the Holders), in the Borrower Revenue Fund and all of the Lease Payments to secure the payment of the Loan Repayments and Additional Payments and the performance by the Borrower of its other obligations under the Loan Agreement. The Borrower will (i) cause to be filed Uniform Commercial Code financing statements and (ii) execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as may be necessary or reasonably requested by the Trustee to perfect or maintain as perfected such security interest.

In the event that the Borrower is delinquent for more than one Business Day in the payment or required prepayment of any Loan Payment, the Trustee will notify the Authority, and the Borrower of such delinquency and will take such action as directed by the provisions of the Indenture.

Costs of Issuance and Other Expenses. In addition to the payments required to be paid by the Borrower under the caption "*–The Loan; Loan Repayments; Additional Payments*" above, the Borrower agrees to pay from the proceeds of the Bonds or Lease Payments or other legally available funds of the Borrower, all Costs of Issuance of the Bonds allocable to the Loan. The Borrower agrees to pay all expenses incurred by it, including the expenses of its counsel. The Borrower will also pay the costs of filing any financing statement(s) pursuant to the Loan Agreement.

The Borrower acknowledges that certain provisions of the Indenture set forth fees and expenses of the Trustee as the amount of annual compensation and reimbursement payable from funds held under the Indenture to the Trustee. In the event that the Trustee incurs fees and expenses in the course of performing its duties in excess thereof or in excess of the funds available for the payment thereof under the Indenture, the Borrower agrees to compensate and reimburse, or to cause the University to compensate and reimburse, the Trustee from available Lease Payments or other funds of the Borrower, for such fees and expenses, which compensation to the Trustee will not be limited by any provision of law in regard to the compensation of a trustee of an express trust.

To the fullest extent permitted by law, the Borrower covenants and agrees to pay and indemnify, or to cause the University to pay and indemnify, the Authority, its Members and Sponsors, the Trustee, and the past, present and future directors, officers, agents and employees of any of them against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence) and arising out of or in connection with the Borrower Documents, the Bonds allocable to the Loan or the Indenture. These obligations described under the captions "*–Costs of Issuance and Other Expenses; Indemnification"* will remain valid and in effect notwithstanding repayment of the Loan under the Loan Agreement or the Bonds allocable to the Loan or termination of the Loan Agreement or the Indenture.

Assignment Agreement; Assignment of Authority's Rights. To secure the payment of Loan Repayments and Additional Payments, the performance by the Borrower of its other obligations under the Loan Agreement, the Borrower has entered into the Assignment Agreement, and such financing statements and other documents as are required by the provision in the Loan Agreement summarized above under "*—Pledge of Borrower Revenue Fund*". The Borrower agrees, as long as any of the Loan Repayments or Additional Payments remain unpaid, to supplement the Assignment Agreement or to execute and deliver such other documents as may be necessary from time to time to grant the Trustee a first priority Lien on the Borrower's interest in and rights to Lease Payments under the Sublease Agreement. The Borrower will execute and cause to be filed Uniform Commercial Code financing statements, and will execute and deliver such other documents (including, but not limited to, continuation statements) as may be necessary or reasonably requested by the Authority or the Trustee to perfect or maintain as perfected such security interest or give public notice thereof.

As security for the payment of the Bonds, the Authority in the Indenture assigns to the Trustee certain of the Authority's rights under the Loan Agreement, including the right to receive payments under the Loan Agreement, but excluding any deposits to the Rebate Fund; and the Borrower assents to such assignment and agrees to make payments from Lease Payments or other funds of the Borrower directly to the Trustee, without defense or set-off by reason of any dispute between the Borrower and the Authority or the Trustee. By virtue of such assignment and certain obligations of the Borrower to the Trustee, the Trustee will be a third-party beneficiary of the Loan Agreement and will have the right to enforce the obligations of the Borrower under the Loan Agreement, subject to the limitations thereof.

Maintenance, Taxes, Insurance and Condemnation

Maintenance and Operation of the Project. The Borrower will cause the University to operate and maintain the Project in accordance in all material respects with all governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the Borrower. The Borrower will cause the University to operate and maintain the Project and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that will be placed in or around any building or structure now or hereafter at any time constituting part of the Project which are material to the operation of the Project or health and safety in good repair, working order and condition, and will from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements so that the safety, efficiency and value of the Project will not be materially adversely impaired.

Taxes, Assessments, Other Governmental Charges and Utility Charges. The Borrower will cause the University to pay and discharge all taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become liens upon the Project or the interest therein of the Authority, the Trustee or the Holders of the Bonds, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Project or any part thereof, and, upon request, will furnish to the Authority or Trustee receipts for all such payments, or other evidences satisfactory to the Authority and the Trustee; provided, however, that neither the Borrower nor the University will be required to pay any tax, assessment, rate or charge as provided in the Loan Agreement as long as one or both will in good faith contest the validity thereof, provided that the Borrower will have, or will have caused the University to, set aside reserves with respect thereto that, in the opinion of the governing body of the Borrower and the University, are adequate.

Insurance Required.

(a) The Borrower covenants and agrees that it will, upon completion of construction of the Project, cause the University to keep, insurance (which policies name the Authority and the Trustee as additional insureds, beneficiaries or additional loss payees, to the extent permitted by law) against loss or damage to any structure constituting any part of the Project by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. All insurance provided pursuant to this paragraph will be in an amount equal to the lesser of (i) one hundred percent (100%) of the replacement cost (without deduction for depreciation) of all buildings, structures and fixtures constituting any part of the Project, or (ii) the principal amount of the Bonds then Outstanding, and will be subject to a deductible not to exceed $500,000.

Prior to completion of construction of the Project, the Borrower will cause the developer for the Project to keep builder's all-risk insurance under the terms of the Development Agreement.

(b) The Borrower covenants that it will use its best efforts to apply, or cause the University to apply, for any grants, loans or other relief available from the federal or state governments to obtain amounts necessary to rebuild any portion of the Project destroyed or damaged in connection with an uninsured or underinsured calamity causing destruction or damage; provided, however, that the Borrower and the University will not be required to accept such amounts if doing so would jeopardize the integrity of the University's programs.

Insurers; Policy Forms and Loss Payees. The insurance policies required by the Loan Agreement will be carried by insurance companies which are financially responsible and capable of fulfilling the requirements of such policies. All such policies (except liability policies) will, to the extent permitted by law, name the Trustee and the Authority as additional insured parties, beneficiaries or loss payees. Each policy will be in such form and contain such provisions as are generally considered standard for the type of insurance involved and will contain a provision to the effect that the insurer will not cancel or substantially modify the policy provisions without first giving at least thirty (30) days written notice thereof to the Borrower, the Authority and the Trustee. In lieu of separate policies, the Borrower may cause the University to maintain blanket policies which cover any one or more risks required to be insured against so long as the minimum coverages required in the Loan Agreement are met.

Disposition of Insurance and Condemnation Proceeds.

(a) All proceeds of the insurance carried pursuant to paragraph (a) under "–*Insurance Required*" above (except proceeds of the liability portion, if any, of such insurance), and proceeds of any condemnation awards with respect to any individual portion of the Project, in each case, in excess of ten percent (10%) of the Book Value of such portion of the Project will be paid immediately upon receipt by the Borrower or other named insured parties to the Trustee for deposit in a special fund which the Trustee will establish and maintain and hold in trust pursuant to the Indenture, to be known as the "Insurance and Condemnation Proceeds Fund." In the event that the proceeds of any loss or damage to or condemnation of the Project will be less than ten percent (10%) of the Book Value of such portion of the Project, the Borrower may retain, or permit the University to retain, such proceeds without any formality whatsoever. In the event the Borrower or the University elects to repair or replace any portion of the Project damaged, destroyed or taken, moneys in the Insurance and Condemnation Proceeds Fund will be disbursed by the Trustee, after deducting therefrom the reasonable charges and expenses of the Trustee in connection with the collection and disbursement of such moneys, for the purpose of repairing or replacing the portion or portions of the Project damaged, destroyed or taken in the manner and subject to the conditions set forth in the Indenture with respect to disbursements from the Insurance and Condemnation Proceeds Fund; provided, that unless the Trustee receives written notice that after repair and replacement the Project will continue to be used for the purposes for which they were constructed, no such disbursement will be made prior to receipt by the Trustee of the written consent of the Authority.

(b) If the Borrower and the University will elect not to, or cannot, repair or replace the portion or portions of the Project damaged, destroyed or taken, as provided in paragraph (a) above, the Trustee will transfer all amounts in the Insurance and Condemnation Proceeds Fund on account of such damage, destruction or condemnation to the Special Redemption Account established in the Indenture or, at the election of the Borrower, to the Debt Service Fund.

Additional Covenants and Agreements of Borrower

Tax Covenants.

(a) It is the intention of the Authority and the Borrower that interest on the Tax-Exempt Bonds will be and remain excluded from the gross income of the owners thereof for federal income tax purposes, and to that end the covenants and agreements of the Borrower summarized in this caption "–*Tax Covenants*" and in the Tax Certificate are for the benefit of the Trustee on behalf of and for each and every owner of the Tax-Exempt Bonds.

(b) The Borrower covenants and agrees that it will not use or permit the use of any of the funds provided by the Authority under the Loan Agreement or any other funds of the Borrower, directly or indirectly, or direct the Trustee to invest any funds held by it under the Loan Agreement or under the Indenture, in such manner as would, or enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Bonds that would, or take or omit to take any other action that would cause any Tax-Exempt Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(c) In the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of the provisions the Loan Agreement and the Indenture regarding tax covenants, it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Borrower will determine the limitations and so instruct the Trustee in writing and cause the Trustee to comply with those limitations under the Indenture. The Borrower will take such action or actions as may be reasonably necessary in the opinion of Bond Counsel, or of which it otherwise becomes aware, to comply fully with Section 148 of the Code.

(d) The Borrower will not, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of the Loan, except as otherwise permitted under the Indenture.

(e) To maintain the exclusion of interest on the Tax-Exempt Bonds from the gross income of the owners thereof for federal income purposes, the Borrower agrees that it will, concurrently with or before the execution and delivery of the Tax-Exempt Bonds, execute and deliver the Tax Certificate, and will comply with every term of the Tax Certificate. The Borrower covenants with the Authority, for and on behalf of the Owners of the Tax-Exempt Bonds from time to time outstanding, that so long as any Tax-Exempt Bonds remain outstanding, moneys on deposit in any fund, or account in connection with the Tax-Exempt Bonds, whether or not such moneys were derived from the proceeds of the sale of the Tax-Exempt Bonds or from any other sources, and moneys pledged directly or indirectly to the payment or for the securing of the Tax-Exempt Bonds, will not be used by or for the Borrower in a manner that will cause the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The Borrower expressly recognizes that, to the extent required by Section 148 of the Code, "proceeds" of the Tax-Exempt Bonds (including investment proceeds and "replacement" proceeds) may be required to be invested at a yield not exceeding the yield on the Tax-Exempt Bonds to comply with the provisions summarized under this caption "– *Tax Covenants*." In furtherance of such covenant, the Borrower agrees that it will not direct any investments or reinvestments that would contravene either the investment representations made by the Authority in the Tax Certificate or any investment directions provided by the Authority and deemed reasonably necessary in the opinion of Bond Counsel to preserve the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes.

Continuing Disclosure. The Borrower covenants and agrees that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement and to cause the University to comply with its obligations under the Continuing Disclosure Agreement pursuant to the terms of the Sublease Agreement and the Continuing Disclosure Agreement. Notwithstanding any other provision of the Loan Agreement or the Indenture, neither failure of the Borrower or the Dissemination Agent to comply with the Continuing Disclosure Agreement nor the failure of either to cause the University to comply with its obligations under the Continuing Disclosure Agreement pursuant to the terms of the Sublease Agreement and the Continuing Disclosure Agreement will be considered an Event of Default under the Loan Agreement or under the Indenture.

Additional Covenants of the Borrower. The Borrower covenants:

(a) To maintain books and records separate from any other person or entity;

(b) To maintain its accounts separate from any other person or entity;

(c) Not to commingle assets with those of any other entity;

(d) To conduct its own business in its own name;

(e) To maintain separate financial statements;

(f) To pay its own liabilities out of its own funds;

(g) To maintain an arm's-length relationship with its affiliates;

(h) Not to hire or otherwise employ employees;

(i) Not to guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others;

(j) Not to incur operations, maintenance, administrative or other overhead or expenses of any type payable from or secured in any way by Lease Payments;

(k) To use stationery, invoices, and checks separate from that of any other entity;

(l) Not to pledge its assets for the benefit of any other entity or make any loans or advances to any entity;

(m) To hold itself out as a separate entity;

(n) To correct any known misunderstanding regarding its separate identity;

(o) To provide the Trustee (and the Authority, upon written request) with, and with respect to information concerning the University, to obtain, the following information:

(i) annual budgets of the University within 60 days of their adoption;

(ii) audited financial statements of the Borrower within 60 days of approval by the governing board of the Borrower and the University and unaudited consolidated financial statements of the University by December 31; and

(iii) such other information as may be reasonably requested by or on behalf of the Trustee or the Authority; and

(p) Except as otherwise expressly permitted by the Loan Agreement, not to create, assume or suffer to exist any lien on its revenues including a subordinate security interest with respect to the revenues or Property of the Borrower.

Prohibited Uses. No portion of the proceeds of the Bonds will be used to finance or refinance any facility, place or building to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship or (2) by a person that is not a 501(c)(3) Organization or a

Governmental Unit or by a 501(c)(3) or 501(c)(4) Organization (including the Borrower) in an "unrelated trade or business" (as set forth in Section 513(a) of the Code), in such a manner or to such extent as would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code.

Limitation on Disposition of Property, Plant and Equipment. The Borrower covenants and agrees that it will not sell or otherwise dispose, including any disposition by lease, of the Property, Plant and Equipment consisting of all or any part of the Project, except for disposition or transfers:

(a) Of Property, Plant and Equipment transferred to the University (excluding, in all cases, the leasehold interests in Property, Plant and Equipment established under the Ground Lease, the Sublease Agreement and all other Borrower Documents);

(b) Of Property, Plant and Equipment no longer necessary for the operation of the Project;

(c) Of Property, Plant and Equipment replaced by Property, Plant and Equipment of similar type and/or of substantially equivalent function with a substantially equivalent value; or

(d) Of Property, Plant and Equipment sold or disposed of at a price equal to their fair market value.

In addition to the foregoing limitations, the Borrower may not sell, lease or otherwise dispose (other than with respect to the public dedication in connection with the development of the Project) of any Property unless it will be established that the Assignment Agreement will not be impaired as a result of the disposition of such property.

Operations of Borrower. Without limitation of any other provisions of the Loan Agreement or any other Borrower Document, Borrower represents, warrants, covenants and agrees in the Loan Agreement that it has not and will not:

(i) engage in any business or activity other than the financing or refinancing of the acquisition, construction, improvement and equipping of classroom, office, housing, dining, parking or other educational or operational facilities comprising the Project, such facilities to be sponsored and controlled by, and owned and operated by or on behalf of, the University, pursuant to the Indenture and the Loan Agreement, and activities incidental thereto;

(ii) own any subsidiary or make any investment in or acquire the obligations or securities of any other Person other than as provided in the Indenture and the Loan Agreement;

(iii) commingle its assets with the assets of any other Person or transfer any assets to any such Person other than as permitted in the Indenture and the Loan Agreement;

(iv) seek dissolution or winding up, in whole or in part;

(v) fail to correct any known misunderstandings regarding the separate identity of Borrower;

(vi) hold itself out to be responsible or pledge its assets or credit for the Indebtedness of another Person or allow any Person to hold itself out to be responsible or pledge its assets or credit worthiness for the Indebtedness of Borrower (except pursuant to the Indenture and the Borrower Documents);

(vii) make any loans or advances to any third party, except as provided in the Indenture and Borrower Documents;

(viii) fail either to hold itself out to the public as a legal entity separate and distinct from any Person or to conduct its business solely in its own name in order not (i) to mislead others as to the entity with which such other party is transacting business, or (ii) to suggest that Borrower is responsible for the Indebtedness of any third party (including any director, manager or affiliate of Borrower, or any director, manager or affiliate thereof); or

(ix) file a voluntary petition or otherwise initiate proceedings seeking liquidation, reorganization or other relief under any Federal, state or foreign laws relating to liquidation, conservatorship, bankruptcy, assignment for the benefit of credits, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debt relief laws ("Debtor Relief Laws"), for Borrower or any manager or director of Borrower, or consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition under Debtor Relief Laws against Borrower or any manager or director of Borrower, or file a petition seeking or consenting to reorganization or relief of Borrower or seek or consent to the appointment of any trustee, receiver, conservator, assignee, sequestrator, custodian, liquidator (or other similar official) of Borrower or any manager or director of Borrower or of all or any substantial part of the properties and assets of Borrower or any manager or director of Borrower, or make any general assignment for the benefit of creditors of Borrower or any manager or director of Borrower, or admit in writing the inability of Borrower or any manager or director of Borrower to pay its debts generally as they become due or declare or effect a moratorium on Borrower or any manager or member of Borrower debt or take any action in furtherance thereof.

Defaults and Remedies

Events of Default. Any one of the following which occurs and continues will constitute an Event of Default under the Loan Agreement:

(a) failure by the Borrower to pay or cause to be paid when due the Loan Repayments, or

(b) failure by the Borrower to pay or cause to be paid when due any other amounts required to be paid under the Loan Agreement and continuation of such failure to pay for ten (10) Business Days following the giving of written notice thereof to the Borrower; or

(c) failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement (other than failure by the Borrower to pay the amounts required to be paid under the Loan Agreement, as referred to in paragraphs (a) or (b) above, and other than as provided in paragraph (d) below) after the Borrower will have been given 30 days' written notice specifying such default and requesting it be remedied, unless the Trustee will have consented to an extension of such 30-day period; provided that the Borrower will have commenced cure and be diligently pursuing cure in good faith, which extension will not exceed 90 days; or

(d) voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding, or failure by the Borrower to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower to carry on its operations, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower into an agreement of composition with creditors or the failure generally by the Borrower to pay its debts as they become due;

(e) occurrence and continuance of an "Event of Default" under the Indenture or any of the Borrower Documents other than the Loan Agreement, provided, however, that an Event of Default under the Indenture arising solely from the actions or inactions of the Authority or the Trustee will not be an Event of Default under the Loan Agreement; or

(f) any representation or warranty made in the Loan Agreement or any statement or representation made by the Borrower in any certificate, report, opinion, financial statement or other instrument furnished in connection with the Loan or any of the Borrower Documents proves to be false or misleading in any material respect when made.

Remedies. Notwithstanding anything to the contrary in the Indenture or the Loan Agreement, the Authority will have no obligation to and instead the Trustee, in accordance with the Indenture, may, without further direction from or action by the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than the Unassigned Rights) under the Indenture or the Loan Agreement or any other Borrower Document, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under the Loan Agreement or any other Borrower Document.

(a) Upon the occurrence of an Event of Default pursuant to the provision of the Loan Agreement summarized above under the caption "*—Events of Default*" and at any time thereafter during the continuance of such Event of Default, the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement, the Bonds or any other Borrower Document. Any amounts collected pursuant to action taken by the Trustee under this paragraph will be applied in accordance with provisions of the Indenture.

(b) If the Trustee will have proceeded to enforce the rights of the Authority under the Loan Agreement and such proceedings will have been discontinued or abandoned for any reason or will have been determined adversely to the Trustee or the Authority, then the Borrower, the Trustee and the Authority will be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Borrower, the Authority and the Trustee will continue as though no such proceedings had taken place.

Additional Remedies. In addition to the above remedies, if an Event of Default occurs under the Loan Agreement, the Authority and the Trustee will have the right and remedy, without posting bond or other security, to have the provisions of the Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach will cause irreparable injury to the Trustee or the Authority and that money damages will not provide an adequate remedy thereto.

Prepayment

Prepayment of the Loan.

(a) *General.* As further described below, the Borrower will have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the Authority agrees that the Trustee will accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable redemption price, if any, payable upon the redemption of Bonds) will be deposited upon receipt in the applicable account of the Redemption Fund and, at the request of and as determined by the

Borrower, credited against payments due under the Loan Agreement or used for the redemption of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the provisions of the Indenture regarding optional redemption and special redemption. The Borrower also will have the right to surrender Bonds acquired by it in any manner whatsoever to the Trustee for cancellation, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made under the Loan Agreement remain unpaid, the Borrower will not be relieved of their obligations under the Loan Agreement.

(b) *Prepayment in Whole or in Part*. The Loan may be prepaid at the option of the Borrower in whole or in part at any time by delivering to the Trustee amounts sufficient to defease a like principal amount of Bonds to their optional redemption date pursuant to the provisions of the Indenture regarding optional redemption, special redemption and defeasance.

Redemption of Bonds Upon Prepayment. Upon prepayment of the Loan as provided in under the caption "*–Prepayment of the Loan*," the Trustee will do any of the following, as applicable: (1) call all or part of the Bonds for redemption, as required by the Indenture in the respective amounts set forth in the applicable paragraph of the provisions of the Indenture regarding optional redemption and special redemption, and (2) provide for the defeasance of Bonds pursuant to the Indenture.

Amount of Prepayment. In the event of any prepayment pursuant to the provisions of the Loan Agreement summarized under the caption "*–Prepayment of the Loan*," the amount of the Loan deemed to be prepaid will be equal to the principal amount of Bonds defeased or redeemed as described in the provisions of the Indenture regarding optional redemption and special redemption. In the case of prepayment of the Loan in full, the Borrower will pay to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay all reasonable and necessary fees and expenses (including attorneys' fees) of the Authority, the Trustee and any paying agent accrued and to accrue through final payment of the Bonds and all other liabilities of the Borrower accrued and to accrue under the Loan Agreement and will pay to the Authority an amount required by the Loan Agreement. In the case of partial prepayment of the Loan, the Borrower will pay or cause to be paid to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay expenses of redemption of the Bonds to be redeemed upon such prepayment, including, as applicable, the redemption price thereof

The Borrower will not prepay the Loan or any part thereof, except in amounts sufficient to redeem Bonds in whole multiples of $5,000 and to pay any accrued interest to the redemption date.

Additional Bonds

Issuance of Additional Bonds. If the Borrower is not in default under the Loan Agreement, the Authority may, by the adoption of an appropriate resolution or resolutions, at the request of the Borrower, but nevertheless at the Authority's sole and exclusive discretion, authorize the issuance of Additional Bonds upon the terms and conditions provided in the Loan Agreement and the Indenture, but in no event will the Authority be liable for not issuing such Additional Bonds. Prior to the issuance of such Additional Bonds: (a) the terms thereof, the purchase price to be paid therefor and the manner in which the proceeds therefrom are to be disbursed will have been approved in writing by the Borrower; (b) the Borrower will have otherwise complied with the provisions of the Loan Agreement described under the caption "*—Limitation on Additional Indebtedness; Permitted Liens*" with respect to the issuance of Additional Bonds; and (c) the Authority and the Borrower will have otherwise complied with the provisions of the Indenture with respect to the issuance of such Additional Bonds.

Limitation on Additional Indebtedness; Permitted Liens. The Borrower will not incur additional Indebtedness other than as provided in the Loan Agreement. The Borrower will not incur Indebtedness payable on a basis senior or subordinate to the Bonds, or any debt payable on parity with the Bonds other than Additional Bonds, including Refunding Bonds.

(b) The Borrower may cause the issuance of Additional Bonds pursuant to the Loan Agreement and the terms of the Indenture, only as described under this caption "*—Limitation on Additional Indebtedness; Permitted Liens*". Prior to the issuance of any such Additional Bonds, the Borrower will furnish to the Authority and the Trustee a certificate of the Authorized Representative of the Borrower which will:

(i) state that the Additional Bonds will be issued for the purpose of financing of refinancing all or a portion of the Project pursuant to the Indenture;

(ii) state the maximum aggregate principal amount of Additional Bonds to be issued, the maturity date or dates thereof, and the interest rate or rates with respect thereto;

(iii) state that no Event of Default has occurred and is continuing;

(iv) state that the conditions described under the caption "*—Issuance of Additional Bonds*" have been satisfied;

(v) demonstrate that in each Fiscal Year, beginning in the Fiscal Year in which such Additional Bonds are to be issued, Loan Payments will be sufficient to provide for any increase in the Loan Repayments payable under the Loan Agreement as will be necessary to pay the principal of, redemption price, if any, and interest on all Outstanding Bonds and the Additional Bonds to be issued, as provided in the related Supplemental Indenture or other agreement or instrument required by the Indenture and the Loan Agreement and giving effect to the payment or defeasance of any Bonds refunded in connection with the issuance of Refunding Bonds, subject to the conditions of the Indenture; and

(vi) be accompanied by an Opinion of Counsel for the Borrower to the effect that all conditions precedent specified in the Indenture and in the Loan Agreement for incurring such Indebtedness have been satisfied.

(c) The Borrower will not incur any Indebtedness that refunds or may refund any Outstanding Bonds unless, in addition to the filing of the items described in subsection (b) above: (i) the Borrower files with the Authority and the Trustee a report of an Independent Consultant to the effect that the proceeds of the Indebtedness, together with any other funds deposited with the Trustee for such purpose, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Outstanding Bonds to be refunded and the interest which will become due and payable thereon on or prior to the redemption date or stated maturity thereof, or that the principal of and interest on Government Obligations purchased from such proceeds or from other funds provided by the Borrower and deposited in trust with the Trustee, which Government Obligations do not permit redemption thereof at the option of the issuer thereof, when due and payable (or redeemable at the option of the holder) will provide sufficient money, together with any other money which will have been deposited irrevocably with the Trustee for such purpose, to pay such principal, redemption premium, if any, and interest thereon; and (ii) the Borrower has filed with the Authority and the Trustee an opinion of Bond Counsel to the effect that such Indebtedness and the refunding of Outstanding Bonds with the proceeds thereof will not cause interest on any Outstanding Bonds to become includable in gross income for federal income tax purposes.

(d) The Borrower will not cause the issuance of any Additional Bonds pursuant to the Loan Agreement and the terms of the Indenture, unless:

(i) the Authority and the Borrower have entered into an amendment to the Loan Agreement to provide for any increase in the amount of Loan Repayments payable under the Loan Agreement as will be necessary to pay the principal of, redemption price, if any, and interest on the Additional Bonds as provided in the related Supplemental Indenture or other instruments required by the Indenture and the Loan Agreement, and to extend the term of the Loan Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Loan Agreement, all as certified in writing by an Independent Consultant;

(ii) the Borrower and the University have delivered an executed copy of either (i) the Sublease Agreement amended so as to increase the Base Lease Payments by an amount at least sufficient to provide available funds to the Borrower to make the Payments described in paragraph (16) under the caption "THE INDENTURE—Additional Bonds and Refunding Bonds—*Additional Documents*", as evidenced in a written certificate of an Independent Consultant, and certified by an Authorized Borrower Representative to be in full force and effect; or (ii) a new ground lease, sublease, and assignment agreement with respect to additional property and facilities, each entered into by and between the Borrower and the University and, in the case of the assignment agreement, the Trustee, and certified by an Authorized Representative of the Authority to be in full force and effect, in substantially the same form as the Ground Lease, the Sublease Agreement and the Assignment Agreement, and providing for lease payments payable by the University to the Borrower in amounts at least sufficient to provide available funds to the Borrower to make the Payments set forth in paragraph (16) under the caption "THE INDENTURE—Additional Bonds and Refunding Bonds—*Additional Documents*", as evidenced in a written certificate of an Independent Consultant; and

(iii) the Authority and the Borrower have otherwise complied with the provisions of the Indenture with respect to the issuance of such Additional Bonds.

(e) The Borrower covenants in the Loan Agreement that, except as specifically provided in therein, the Borrower will not create, assume, incur or suffer to be created, assumed or incurred any Lien other than Permitted Liens. The Borrower further covenants in the Loan Agreement that it will not secure any Series of Additional Bonds with a mortgage lien on the Project.

Miscellaneous

Loan Agreement Amendments. Except as otherwise provided in the Loan Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, the Loan Agreement may be effectively amended, changed, modified, altered or terminated only by written instrument executed by the parties to the Loan Agreement.

Borrower Document Amendments. The Borrower covenants in the Loan Agreement not to supplement, amend, modify, terminate or assign, or permit the assignment of, any Borrower Document, other than as expressly permitted in the Indenture and the Loan Agreement, without the prior written consent of the Trustee; provided, however, that no such supplement, amendment, modification, termination or assignment shall reduce the amount of Lease Payments payable as of any date by the University, and assigned to the Trustee pursuant to the Assignment Agreement, to an amount that is less than the amount of Loan Repayments, together with Additional Payments, if any, to become due and payable as of such date.

Further Assurances and Corrective Instruments. The Authority and the Borrower agree from time to time, to execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, in accordance with the Indenture, such supplements to the Loan Agreement and such further instruments as may reasonably be required for the purpose of (a) curing any ambiguity or formal defect or omission in the Loan Agreement, or (b) correcting any inadequate or incorrect description of the obligations of the parties to the Loan Agreement or the performance of their duties under the Loan Agreement; provided, however, that no such supplements or instruments will expand the liability of the parties under the Loan Agreement. The Authority will have no obligation to prepare any such supplements or further instruments.

Waiver of Personal Liability. No Authority Indemnified Person or any director, officer, agent or employee of the Borrower will be individually or personally liable for the payment of any principal, premium, if any, or interest on the Bonds or any costs incidental thereto or any sum under the Loan Agreement or under the Indenture or be subject to any personal liability or accountability by reason of the execution and delivery of the Loan Agreement or the Indenture.

Authority's Performance. None of the provisions of the Loan Agreement requires the Authority to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers thereunder, unless payable from the funds pledged for their payment in accordance with the Indenture, or unless the Authority will first have been adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred thereby. The Authority will not be under any obligation under the Loan Agreement to perform any administrative service with respect to the Bonds or the Project (including, without limitation, record keeping and legal services), it being understood that such services will be performed or provided by the Trustee or the Borrower. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in the Loan Agreement, the Indenture, and any and every Bond executed, authenticated and delivered under the Indenture; provided, however, that the Authority will not be obligated to take any action or execute any instrument pursuant to any provision of the Loan Agreement unless and until it will have (i) been requested to do so in writing by the Borrower, the Trustee or the Bondholders; (ii) received from the party requesting such action or execution assurance satisfactory to the Authority that the Authority's reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument have been or will be paid or reimbursed to the Authority; and (iii) if applicable, received in a timely manner the instrument or document to be executed, in form and substance satisfactory to the Authority. In complying with any provision in the Loan Agreement or in the Indenture requiring the Authority to "cause" another Person to take or omit any action, the Authority will be entitled to rely conclusively (and without independent investigation or verification) on the faithful performance by the Trustee or the Borrower(s), as the case may be, of their respective obligations under the Loan Agreement and the Indenture. In acting, or in refraining from acting, under the Loan Agreement, the Authority may conclusively rely on the advice of its counsel.

Survival of Provisions. The provisions of the Loan Agreement and the Indenture and any other document in connection with the issuance of the Bonds to which the Authority is a party concerning (i) the tax-exempt status of the Bonds (including, but not limited to, provisions concerning rebate); (ii) the interpretation of the Loan Agreement; (iii) governing law, jurisdiction and venue; (iv) the Authority's right to rely on written representations of others contained in the Loan Agreement or in any other document or instrument issued or entered into in respect of the Bonds, regardless of whether the Authority is a party thereto; (v) the indemnification rights and exculpation from liability of the Authority and the Authority Indemnified Persons; and (vi) any other provision of the Loan Agreement not described or enumerated above that expressly provides for its survival, will survive and remain in full force and effect notwithstanding the payment or redemption in full, or defeasance of the Bonds, the discharge of the Indenture, and the termination or expiration of the Loan Agreement.

Closing Expenses. In addition to and without in any way limiting its obligations to pay and indemnify the Authority and the Authority Indemnified Persons against fees, costs and charges arising out of or in connection with the Loan Agreement, the Borrower Documents, the Bonds or the Indenture, the Borrower will pay, upon the closing of the issuance of the Bonds and as a condition thereto: (i) to the Authority, the Authority's issuance fee (less, if applicable, any application fee heretofore paid by the Borrower to the Authority); and (ii) attorney's fees incurred by the Authority in connection with the issuance of the Bonds.

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APPENDIX E — BOOK-ENTRY ONLY SYSTEM

The information provided immediately below concerning DTC and the book-entry only system, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Underwriters or KUCDC. The following discussion will not apply to any Series 2016 Bonds issued in certificate form due to the discontinuance of the DTC book-entry only system, as described below under "Discontinuation of Book-entry only System" below.

General. DTC will act as securities depository for the Series 2016 Bonds. Initially, the Series 2016 Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Series 2016 Bonds, in the aggregate principal amount of the Series 2016 Bonds of such maturity, and will be deposited with DTC.

DTC and its Participants. 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, as amended. 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 (the *"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 (the *"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.

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

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

Notices. 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 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 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 University or 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, Premium, If Any, and Interest. Payments of principal, premium, if any, and interest on the Series 2016 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct

Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee or the University, 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 or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2016 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the University, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-entry only System. DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Trustee or the University. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Indenture.

The University may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository) as described in the Indenture. In that event, Bond certificates will be printed and delivered as described in the Indenture.

The information set forth above under this caption has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

None of the Underwriters, the Trustee or the University will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Series 2016 Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Bondholders; or (iv) any consent given or other action taken by DTC as Bondholder.

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APPENDIX F — CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT dated as of January 1, 2016 (this "Disclosure Agreement"), is executed and delivered by the **KU CAMPUS DEVELOPMENT CORPORATION** (the "Corporation"), the **UNIVERSITY OF KANSAS** (the "University") and **U.S. BANK NATIONAL ASSOCIATION** (the "Dissemination Agent") in connection with the issuance by the Public Finance Authority (the "Authority") of its $326,945,000 original aggregate principal amount of Lease Development Revenue Bonds (KU Campus Development Corporation - Central District Development Project), Series 2016 (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture dated as of January 1, 2016 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee. The Corporation, the University and the Dissemination Agent covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report described in Section 2(a) of this Disclosure Agreement.

"*Beneficial Owner*" means any registered owner of any Bonds and any Person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the Owner of any Bonds for federal income tax purposes.

"*Bond Counsel*" means a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

"*Corporation*" means the KU Campus Development Corporation.

"*Dissemination Agent*" shall mean initially U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Corporation to serve as dissemination agent pursuant to this Disclosure Agreement, as set forth in Section 5.

"*EMMA*" means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB (www.emma.msrb.org).

"*Financial Information*" means the financial information of the Corporation and the University described in Section 2(a)(i) hereof.

"*Fiscal Year*" means the one-year period commencing on July 1 of any year and ending on June 30 of the following year, and numbered for the year in which it ends, or such other date or dates as may be adopted by the Corporation or the University, as applicable, for its general accounting purposes.

"*GAAP*" means generally accepted accounting principles as in effect at the time of the preparation of the Annual Report.

"*Listed Events*" means any of the events listed in Section 3(a) hereof.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Official Statement*" means the Official Statement dated January 7, 2016 for the Bonds.

"*Operating Data*" means the operating data of the University described in Section 2(a)(ii) hereof.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*SEC*" means the Securities and Exchange Commission of the United States.

"*State*" means the State of Kansas.

"*University*" means the University of Kansas.

Section 2. Provision of Annual Reports.

(a) The Corporation and the University shall provide, or shall cause the Dissemination Agent to provide, as soon as practicable after they are available, but in no event more than 190 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2016, the Financial Information and the Operating Data (jointly, the "Annual Report") as follows:

(i) *Financial Information*. Financial Information shall consist of (A) the financial statements of the University for the prior Fiscal Year, beginning with the Fiscal Year ending June 30, 2016, of the type and in substantially the format contained in the University of Kansas Annual Financial Report contained in Appendix A to the Official Statement, and (B) the financial statements of the Corporation for the prior Fiscal Year, beginning with the Fiscal Year ending June 30, 2016. The method of preparation and basis of accounting of the Financial Information with respect to the University shall be as set forth in said Appendix A to the Official Statement or otherwise in conformance with State laws or regulations. The method of preparation and basis of accounting of the Financial Information with respect to the Corporation shall be in conformance with GAAP and State laws or regulations. The Financial Information in the Annual Report may be unaudited; provided, however, that if audited Financial Information is available, such audited Financial Information shall be provided to the Dissemination Agent for inclusion in the Annual Report when available. If the basis of accounting of the University is changed to a basis less comprehensive than contained in the Official Statement, or if the basis of accounting of the Corporation for a Fiscal Year is changed to a basis less comprehensive than the financial statements of the Corporation for the preceding Fiscal Year, the Dissemination Agent shall provide notice of such change in the same manner as for a Listed Event under Section 3(b) hereof.

(ii) *Operating Data*. Operating Data with respect to the University shall consist of the information and data regarding the University in substantially the scope and form contained in each of the tables of information regarding the University in Appendix B to the Official Statement, each updated as of the end of the prior Fiscal Year, beginning with the Fiscal Year ending June 30, 2016. Such information shall include actual information for such Fiscal Year but need not include revised estimates or projections for future Fiscal Years.

(iii) Any or all of the Annual Report may be incorporated by reference from other documents, including official statements of debt issues with respect to the Corporation or the University that have been filed with the MSRB or the SEC and, in the case of a final official statement, that is available from the MSRB. The Corporation or the University, as applicable, shall clearly identify each document incorporated by reference and the source from which it is available. The Financial Information and

Operating Data may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if it is not available by that date. If the Fiscal Year of either the Corporation or the University changes, the Dissemination Agent shall provide notice of such change in the same manner as for a Listed Event under Section 3(b).

(b) The Dissemination Agent shall (or in the event there is no Dissemination Agent hereunder, the Corporation) shall:

(i) determine each year prior to the date for providing the Annual Report whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA; and

(ii) unless the Corporation or the University has filed the Annual Report specified by Section 2(a) hereof, file the Annual Report specified by Section 2(a) hereof, or if the Annual Report is not received from the Corporation or the University and thus not filed within the time period specified in Section 2(a) hereof, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A to this Disclosure Agreement.

Section 3. Reporting of Listed Events.

(a) The Corporation agrees that it will file, or cause the Dissemination Agent to file, pursuant to Section 3(b) below, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

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

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

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

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

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

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

(ix) defeasances;

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

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Corporation or the University[1];

(xiii) the consummation of a merger, consolidation or acquisition involving the Corporation or the University or the sale of all or substantially all of the assets of the Corporation or 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; or

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

(b) The Corporation shall file a notice of such occurrence with the MSRB in a timely manner, not in excess of 10 business days after the occurrence of the event, or may request that the Dissemination Agent provide such notice. If so requested by the Corporation, the Dissemination Agent will file a notice of such occurrence as set forth above. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Disclosure Agreement any earlier than the notice of such redemption or defeasance is given to the Owners of affected Bonds pursuant to the Indenture.

(c) The Dissemination Agent (or if there is no Dissemination Agent hereunder, the Corporation) shall determine each time it is required to file information with the MSRB whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA.

Section 4. Filing. Submission of Listed Event notices, Annual Reports, or any other filing required by this Disclosure Agreement shall be effected by sending the filing or notice to the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), in such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

Section 5. Dissemination Agent. The Corporation may, from time to time, discharge the Dissemination Agent hereunder, with or without appointing a successor Dissemination Agent, and may appoint or engage a successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Corporation. The appointment of a successor Dissemination Agent shall be effective upon the delivery to the Corporation of written acceptance of such designation in substantially the form set forth in Exhibit B hereto. The Dissemination Agent may resign as dissemination agent hereunder at any time upon 30 days prior written notice to the Corporation and the University.

[1] This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Corporation or 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 or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation or 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 Corporation or the University.

Section 6. Termination of Reporting Obligation. The obligations of the Corporation, the University and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance or redemption or payment in full of all of the Bonds. If a party's obligations hereunder are assumed in full by some other entity, such other entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the signatory hereto, and the assignor shall have no further responsibility hereunder. If such termination or assignment and assumption occurs prior to the final maturity of the Bonds, notice of such termination or assignment and assumption shall be given in the same manner as for a Listed Event under Section 3(b).

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Corporation, the University and the Dissemination Agent, if any, may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably refuse to execute any amendment so requested by the Corporation) and any provision of this Disclosure Agreement may be waived, provided that (a) Bond Counsel or other counsel experienced in federal securities law matters provides the parties to this Disclosure Agreement with its opinion that the undertakings contained herein, as so amended or after giving effect to such waiver, are in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Disclosure Agreement; (b) if the amendment or waiver relates to Section 2(a) or 3(a), it may be made only in connection with a change in circumstances that arises from a change in law or legal requirements, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; and (c) the amendment or waiver is either (i) approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments of the Indenture with consent of the Owners or (ii) does not in the opinion of Bond Counsel materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, such amendment or waiver shall be described in the next Annual Report, which shall include a narrative explanation of the reason for the amendment or waiver and its impact on such Annual Report. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Listed Event under Section 3(b) and (b) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Corporation or 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 or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Corporation or the University chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, neither the Corporation nor the University shall have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Noncompliance. In the event of a failure of the Corporation, the University or the Dissemination Agent, if any, to comply with any provision of this Disclosure Agreement, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Corporation, the University or the Dissemination Agent, if any, as the case may be, to comply with its obligations under this Disclosure Agreement. Noncompliance with the provisions of this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Corporation, the University or the Dissemination Agent, if any, to comply with this Disclosure Agreement shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and shall not be liable hereunder except for its negligence, willful misconduct, or breach of this Disclosure Agreement. The Corporation, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it actually incurs and that arise out of the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding any loss, expense, and liabilities incurred, in whole or in part, due to the negligence or willful misconduct of the Dissemination Agent, its officers, directors, employees and agents.

The Corporation shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Disclosure Agreement in accordance with the Dissemination Agent's schedule of fees as agreed to between the Dissemination Agent and the Corporation from time to time. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Corporation or the University hereunder and its receipt thereof shall not constitute constructive notice of any information contained therein or determinable from information contained therein. The Dissemination Agent shall have no duty to verify that any report or other document (or any information contained therein) provided to it complies with the requirements of this Disclosure Agreement or for the inaccurate, untimely or incomplete information received by it from the Corporation or the University. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Corporation, the Beneficial Owners or any other party. The obligations of the Corporation under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 11. Notices. Any notices or communications to or among any of the parties referenced in this Disclosure Agreement may be given as follows:

(a) With respect to the Corporation and the University:

University of Kansas
Office of Business & Financial Planning
1450 Jayhawk Blvd, Room 225
Lawrence, Kansas 66045

With a copy to:

University of Kansas
General Counsel
1450 Jayhawk Blvd., Room 245
Lawrence, Kansas 66045

(b) With respect to the Dissemination Agent:

U.S. Bank National Association
10 West Market, Suite 1150
Indianapolis, Indiana 46204
Attention: Corporate Trust Department

Any person may, by written notice to the other persons listed above, designate a different address to which subsequent notices or communications should be sent. Any such different address shall be included in the next Annual Report.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the parties hereto and Beneficial Owners from time to time of the Bonds and shall create no rights in any other Person.

Section 13. Severability. If any provision in this Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the State.

Section 15. Electronic Transactions. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 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.

KU CAMPUS DEVELOPMENT CORPORATION

By ____
Name: ______________________________________
Title: ______________________________________

UNIVERSITY OF KANSAS

By ____
Name: _____________________________________
Title: ______________________________________

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By ____
Name ____
Title ____

Exhibit A
to
Continuing Disclosure Agreement

Notice To Repositories Of Failure To File Annual Report

Names of Obligated Persons:	KU Campus Development Corporation University of Kansas
Name of Bond Issue:	$326,945,000 Public Finance Authority Lease Development Revenue Bonds, Series 2016 (KU Campus Development Corporation - Central District Development Project), dated January 21, 2016 (the "Bonds")
Date of Issuance:	January 21, 2016

NOTICE IS HEREBY GIVEN that the Obligated Persons have not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of the Date of Issuance. The Obligated Persons anticipate that the Annual Report will be filed by __________.

Dated _____________________

[DISSEMINATION AGENT],
as Dissemination Agent

By ____,

Exhibit B
to
Continuing Disclosure Agreement

Acceptance Of Dissemination Agent

Names of Obligated Persons:	KU Campus Development Corporation University of Kansas
Name of Bond Issue:	$326,945,000 Public Finance Authority Lease Development Revenue Bonds, Series 2016 (KU Campus Development Corporation - Central District Development Project), dated January 21, 2016 (the "Bonds")
Dissemination Agent:	
Notice Address of Dissemination Agent:	

The Dissemination Agent set forth above, having been duly appointed by the Corporation to act in the capacity of Dissemination Agent pursuant to the Continuing Disclosure Agreement to which this acceptance is attached, hereby accepts such duties and responsibilities set forth therein.

Dated ______________________

[DISSEMINATION AGENT]

By ____,
as Dissemination Agent

APPENDIX G — FORM OF OPINION OF BOND COUNSEL

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[Closing Date]

Public Finance Authority
Madison, Wisconsin

Public Finance Authority
Lease Development Revenue Bonds (KU Campus Development Corporation - Central District Development Project), Series 2016
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Public Finance Authority (the "Issuer") in connection with the issuance of $326,945,000 aggregate principal amount of Public Finance Authority Lease Development Revenue Bonds (KU Campus Development Corporation - Central District Development Project) (the "Bonds"). The Bonds are issued pursuant to a Trust Indenture, dated as of January 1, 2016 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to KU Campus Development Corporation (the "Borrower") pursuant to a loan agreement, dated as of January 1, 2016 (the "Loan Agreement"), between the Issuer and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Certificate, certificates of the Issuer, the Borrower, the Trustee and others, opinions of counsel to the Issuer, the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities like the Issuer in the State of Wisconsin. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property or assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property or assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Payments and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture (excluding proceeds of the sale of Bonds and any amounts held in the Rebate Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. We observe that interest on the Bonds is not excluded from gross income for Wisconsin state income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

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Public Finance Authority • Lease Development Revenue Bonds (KU Campus Development Corporation - Central District Development Project) Series 2016

KUCDC

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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