

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 23, 2014

NEW ISSUE-BOOK ENTRY ONLY

**RATING: S&P: BBB-
(See "RATING" herein)**

In the opinion of Bond Counsel, interest on the Series 2014 Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2014 Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the Series 2014 Bonds may be indirectly subject to alternative minimum tax under circumstances described under "TAX EXEMPTION" herein. By the terms of the Act (as defined herein), the Series 2014 Bonds, including the interest on the Series 2014 Bonds, are forever exempt from all Maryland state and local taxes. See "TAX EXEMPTION" herein.

\$6,250,000*

**Maryland Economic Development Corporation
Student Housing Refunding Revenue Bonds
(Allegany College of Maryland Project)
Series 2014**

Dated: Date of Delivery

Due: July 1, as shown below

The Series 2014 Bonds will be issued in fully registered form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2014 Bonds. Individual purchases of beneficial ownership interests in the Series 2014 Bonds will be made in book-entry form only, and individual purchasers will not receive physical delivery of bond certificates. Payments of the principal of, and interest on, the Series 2014 Bonds will be made by Manufacturers and Traders Trust Company, as Trustee (the "Trustee"), to Cede & Co., as nominee for DTC, for disbursement to DTC participants and subsequent disbursement to the beneficial owners of the Series 2014 Bonds. The Series 2014 Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof. The Series 2014 Bonds will bear interest from the date of delivery, payable on July 1, 2014 semiannually thereafter on each January 1 and July 1.

The Series 2014 Bonds are being issued by Maryland Economic Development Corporation (the "Issuer"), pursuant to a Trust Indenture, dated as of February 1, 2014 (the "Indenture"), between the Issuer and the Trustee, and the proceeds of the Series 2014 Bonds are being loaned to Allegany College Housing, LLC (the "Borrower"), a Maryland limited liability company, the sole member of which is Somerset County Campus Foundation for Allegany College of Maryland (the "Foundation"), a Pennsylvania corporation that has been determined to be an organization described in Section 501(c)(3) of the Internal Revenue Code. The Series 2014 Bonds are being issued to provide funds (i) to currently refund the Issuer's outstanding Maryland Economic Development Corporation Student Housing Revenue Bonds (Allegany College of Maryland Project) Series 2000A originally issued in the principal amount of \$8,035,000 and (ii) to pay the costs associated with issuing the Series 2014 Bonds.

THE SERIES 2014 BONDS AND INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL AND REDEMPTION PRICE OF AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE TRUST ESTATE (DEFINED HEREIN). NEITHER THE SERIES 2014 BONDS NOR THE INTEREST THEREON NOR THE REDEMPTION PRICE THEREOF IS A DEBT, LIABILITY OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER. THE ISSUANCE OF THE SERIES 2014 BONDS IS NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY A MORAL OR OTHER OBLIGATION OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER, TO LEVY OR PLEDGE ANY TAX OR TO MAKE ANY APPROPRIATION TO PAY THE SERIES 2014 BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR THE REDEMPTION PRICE OF THE SERIES 2014 BONDS. THE ISSUER HAS NO TAXING POWER.

MATURITY SCHEDULE*

\$3,150,000* Serial Bonds

Maturity July 1	Principal Amount	Interest Rate	Yield	Price	CUSIP Number	Maturity July 1	Principal Amount	Interest Rate	Yield	Price	CUSIP Number
2014	\$160,000					2020	\$305,000				
2015	250,000					2021	315,000				
2016	255,000					2022	325,000				
2017	270,000					2023	340,000				
2018	280,000					2024	360,000				
2019	290,000										

CUSIP Number

\$3,100,000* ____% Term Bonds due July 1, 2031, Yield ____%

The Series 2014 Bonds are subject to optional, mandatory, and extraordinary redemption as described herein.

AN INVESTMENT IN THE SERIES 2014 BONDS INVOLVES A HIGH DEGREE OF RISK AND IS SPECULATIVE IN NATURE. SEE "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2014 BONDS. EACH INVESTOR SHOULD CONSIDER THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE SERIES 2014 BONDS.

This cover page is for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2014 Bonds are offered when, as, and if issued by the Issuer and received by the Underwriter and are subject to prior sale, withdrawal, modification or cancellation of the offer without notice and the approval of legality by Ballard Spahr LLP, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Borrower by its counsel, McGuireWoods, LLP, for the Foundation by its counsel, Fike, Cascio & Boose, Somerset, Pennsylvania, for Allegany College of Maryland by its counsel, Geppert, McMullen, Paye & Getty, P.C., Cumberland, Maryland, and for the Underwriter by Miles & Stockbridge P.C. Delivery of the Series 2014 Bonds through the facilities of DTC is expected on or about February 6, 2014.



RBC Capital Markets®

Dated: _____, 2014

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Borrower or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation, or sale.

The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices hereto, must be considered in its entirety.

The information set forth herein has been obtained from the Issuer, the Borrower or other sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer since the date hereof. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

CUSIP numbers on the cover of this Official Statement are copyrighted by the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

The Issuer has provided only that information in this Official Statement that is contained under the heading "THE ISSUER" and, as to the Issuer, under the heading "LITIGATION." The Issuer has not furnished or verified any other information or statements contained in this Official Statement and is not responsible for the sufficiency, completeness, or accuracy of such other information or statements.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2014 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Borrower, the Foundation or Allegany College of Maryland since the date hereof.

THE SERIES 2014 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2014 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2014 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN THE OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2014 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$6,250,000*

**Maryland Economic Development Corporation
Student Housing Refunding Revenue Bonds
(Allegany College of Maryland Project)
Series 2014**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, is provided to furnish certain information in connection with the sale by Maryland Economic Development Corporation (the “**Issuer**”) of its \$6,250,000* Student Housing Refunding Revenue Bonds (Allegany College of Maryland Project) Series 2014 (the “**Series 2014 Bonds**”) to be issued by the Issuer pursuant to a Trust Indenture dated as of February 1, 2014 (the “**Indenture**”), between the Issuer and Manufacturers and Traders Trust Company, as Trustee (the “**Trustee**”). The Series 2014 Bonds are being issued for the purpose of providing funds (i) to currently refund the Issuer’s outstanding Maryland Economic Development Corporation Student Housing Revenue Bonds (Allegany College of Maryland Project) Series 2000A (the “**Series 2000A Bonds**”) originally issued in the principal amount of \$8,035,000 and (ii) to pay the costs associated with issuing the Series 2014 Bonds. The Issuer’s Maryland Economic Development Corporation Student Housing Revenue Bonds (Allegany College of Maryland Project) Series 2000B (Taxable), which were issued in conjunction with the Series 2000A Bonds, matured on September 1, 2006 and are no longer outstanding (together with the Series 2000A Bonds, the “**Series 2000 Bonds**”). The Series 2000 Bonds were issued under the Trust Indenture dated as of October 1, 2000 by and between the Issuer and Allfirst Trust Company National Association, predecessor-in-interest to the Trustee (the “**2000 Indenture**”).

Definitions of certain terms used in this Official Statement are set forth in Appendix B hereto.

The proceeds of the Series 2000 Bonds were used to (i) to finance the cost of acquiring constructing, furnishing and equipping a 236-bed student housing facility located adjacent to the campus of Allegany College of Maryland (the “**College**”) in Cumberland, Maryland on land owned by the College (the “**Project**”), (ii) to fund a debt service reserve fund for the Series 2000A Bonds, (iii) to fund capitalized interest, (iv) to pay working capital and marketing costs associated with the Project, and (v) to pay the costs of issuing the Series 2000 Bonds. See “**THE PROJECT**” herein.

The land on which the Project has been constructed (the “**Premises**”) is leased to Allegany College Housing, LLC (the “**Borrower**”), a Maryland limited liability company, the sole member of which is Somerset County Campus Foundation for Allegany College of Maryland (the “**Foundation**”), a Pennsylvania corporation that has been determined to be an organization described in Section 501(c)(3) of the Internal Revenue Code, pursuant to a Ground Lease Agreement dated as of October 1, 2000, between the College, as ground lessor, and the Borrower, as ground lessee, as amended by the First Amendment to Ground Lease (the “**Ground Lease**”). The Ground Lease will expire on September 30, 2040 and will have a maximum remaining term of approximately 26½ years upon the issuance of the Series 2014 Bonds unless it is extended or expires or terminates in accordance with its terms or by operation of law. See “**THE GROUND LEASE**” herein.

The Project is managed by the College pursuant to the Property Management Agreement between the Borrower and the College, as amended by the Amendment to Management Agreement (the “**Management Agreement**”). See “**THE MANAGEMENT AGREEMENT**” herein.

The Issuer will lend the proceeds of the Series 2014 Bonds to the Borrower pursuant to a Loan Agreement (the “**Loan Agreement**”) dated as of February 1, 2014, between the Issuer and the Borrower. The Borrower is obligated pursuant to the Loan Agreement to pay to the Issuer such loan payments as will always be sufficient to pay when due the principal of, premium, if any, and interest on the Series 2014 Bonds, and under the Loan Agreement it is the obligation of the Borrower to pay all expenses of operating and maintaining the Project in good repair, to keep it properly insured, and to pay all taxes, assessments, and other charges levied or assessed against or with respect to the Project.

*Preliminary, subject to change

The obligations of the Borrower under the Loan Agreement will be secured by (i) a Leasehold Deed of Trust and Assignment of Rents and Leases (the "**Leasehold Deed of Trust**") dated as of February 1, 2014, pursuant to which the Borrower will grant to the individual trustees named therein for the benefit of the Issuer a first lien on the Borrower's interest in the Project and on the Borrower's leasehold interest in the Premises created by the Ground Lease and will assign and pledge to the Issuer the Borrower's interest in the issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Project, (ii) a Security Agreement (the "**Security Agreement**") dated as of February 1, 2014, from the Borrower to the Issuer pursuant to which the Borrower will grant to the Issuer a first priority security interest in the General Revenues of the Project, the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's operation of the Project, in the inventory located at the Project, and in the equipment, furnishings, and other tangible personal property owned by the Borrower and included in the Project, and (iii) an Assignment of Management Agreement dated as of February 1, 2014 from the Borrower to the Issuer pursuant to which the Borrower will assign to the Issuer its rights in the Management Agreement.

Pursuant to the Indenture, the Issuer has assigned and granted a security interest in all of its rights under the Loan Agreement (except for Unassigned Rights), the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Management Agreement to the Trustee which, on behalf of the owners of the Series 2014 Bonds, will exercise all of the Issuer's rights thereunder (except for Unassigned Rights). See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS**" herein.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Borrower, the Project, the Series 2014 Bonds, the Indenture, the Loan Agreement, the Ground Lease, the Leasehold Deed of Trust, the Security Agreement and the Assignment of Management Agreement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Loan Agreement, the Ground Lease, the Leasehold Deed of Trust, the Security Agreement and the Assignment of Management Agreement (collectively, the "**Bond Documents**") are qualified in their entirety by reference to such documents, and references herein to the Series 2014 Bonds are qualified in their entirety to the forms thereof included in the Indenture.

THE SERIES 2014 BONDS AND INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL AND REDEMPTION PRICE OF AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE SERIES 2014 BONDS NOR THE INTEREST THEREON NOR THE REDEMPTION PRICE THEREOF IS A DEBT, LIABILITY OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER. THE ISSUANCE OF THE SERIES 2014 BONDS IS NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY A MORAL OR OTHER OBLIGATION OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER, TO LEVY OR PLEDGE ANY TAX OR TO MAKE ANY APPROPRIATION TO PAY THE SERIES 2014 BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR THE REDEMPTION PRICE OF THE SERIES 2014 BONDS. THE ISSUER HAS NO TAXING POWER.

SEE "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2014 BONDS. EACH INVESTOR SHOULD CONSIDER THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE SERIES 2014 BONDS.

The Borrower will have no liability under the Loan Agreement, any other Bond Document or any other documents delivered in connection with the issuance of the Series 2014 Bonds, beyond its interest in the Premises and any funds held therefor under the Indenture.

Certain financial statements for the Project are included in Appendix A hereto. Definitions of certain terms relating to the Series 2014 Bonds and summaries of certain documents relating to the Series 2014 Bonds are attached hereto as Appendix B. The proposed form of opinion of Bond Counsel is attached hereto as Appendix C. The proposed form of Continuing Disclosure Agreement is attached hereto as Appendix D. The Borrower shall provide certain annual and quarterly (unaudited) financial information pursuant to the Continuing Disclosure Agreement. Certain quarterly (unaudited) financial information for the Project for the period ended December 31,

2013 has been filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (EMMA). See “**CONTINUING DISCLOSURE**” herein.

ESTIMATED SOURCES AND USES OF FUNDS*

The schedule below contains the estimated sources and uses of funds resulting from the sale of the Series 2014 Bonds:

SOURCES OF FUNDS	
Par Amount of Series 2014 Bonds	\$6,250,000.00
Net original issue premium	67,078.70
Amounts on deposit under the 2000 Indenture	<u>2,804,487.81</u>
Total Sources of Funds	<u>\$9,121,566.51</u>
USES OF FUNDS	
Deposit to Bond Proceeds Fund ⁽¹⁾	\$6,989,358.85
Deposit to Debt Service Reserve Fund ⁽²⁾	546,625.00
Deposit to Issuance Cost Fund ⁽³⁾	315,738.48
Deposit to Operating Reserve Fund ⁽⁴⁾	117,617.43
Deposit to the Repair and Replacement Fund	582,084.04
Deposit to the Surplus Fund	263,210.63
Deposit to the Bond Fund	<u>306,932.08</u>
Total Uses of Funds	<u>\$9,121,566.51</u>

¹ Moneys on deposit in the Bond Proceeds Fund will be applied on the Closing Date to pay the Redemption Price of the Outstanding Series 2000 Bonds and accrued interest thereon. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Bond Proceeds Fund**” herein.

² This amount constitutes transferred proceeds of the Series 2000A Bonds and equals the Debt Service Reserve Requirement for the Series 2014 Bonds. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Debt Service Reserve Fund**” herein.

³ Includes an Underwriter’s Discount.

⁴ The deposit to the Operating Reserve Fund equals 90 days of operating expenses for the Project as required by the Loan Agreement. See “**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Loan Payments and Other Amounts Payable – Operating Reserve Fund Loan Payments**” in Appendix B hereto.

THE SERIES 2014 BONDS

General Description

The Series 2014 Bonds will be dated the date of delivery and mature on July 1 in the respective years and principal amounts, all as set forth on the cover page of this Official Statement. The Series 2014 Bonds shall bear interest from their dated date, until paid, at the rate or rates set forth on the cover page of this Official Statement, payable on July 1, 2014 and semiannually thereafter on January 1 and July 1 of each year (the “**Interest Payment Dates**”) while the Series 2014 Bonds are outstanding.

The Series 2014 Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. All interest on the Series 2014 Bonds will be payable to each registered owner thereof as shown on the registration books maintained by the Trustee, as of the close of business on the 15th day of the month immediately preceding the interest payment date upon which such interest is due and payable (the “Regular Record Date”) and will be made by check or draft mailed to the address of such owner as it appears on the bond registration books maintained by the Trustee; provided however that interest payments due any holder of \$1,000,000 or more in aggregate principal amount of the Series 2014 Bonds may, at the option of such holder, be made by a wire transfer of immediately

*Preliminary, subject to change

available funds to an account designated by such holder in a written notice filed with the Trustee before the close of business on the Regular Record Date prior to the first interest payment date as to which payment by wire transfer is to be made. The principal or Redemption Price of the Series 2014 Bonds will be payable upon presentation and surrender of the Series 2014 Bonds when due at the office of the Trustee in Wilmington, Delaware.

Certificates representing ownership in the Series 2014 Bonds will not be issued to the purchasers of the Series 2014 Bonds. Rather, The Depository Trust Company, New York, New York (“*DTC*”) will act as securities depository under a book-entry-only system for the Series 2014 Bonds. Unless such system is discontinued, the provisions described under “**Book-Entry-Only System for Series 2014 Bonds**” below (including provisions regarding payments to and transfers by the owners of beneficial interests in the Series 2014 Bonds) will be applicable to the Series 2014 Bonds. If such system is discontinued, the provisions described under “**Book-Entry-Only System for Series 2014 Bonds**” below will not be applicable.

Redemption

In the manner and with the effect provided in the Indenture, the Series 2014 Bonds will be subject to redemption prior to their respective maturities as follows.

Optional Redemption

The Series 2014 Bonds maturing on or after July 1, 2024 are subject to redemption in whole or in part at any time prior to maturity from and including July 1, 2023 at the option of the Borrower at a Redemption Price equal to the principal amount thereof, plus accrued interest thereon to the date set for redemption.

Mandatory Sinking Fund Redemption

The Series 2014 Bonds are subject to redemption prior to maturity at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date set for redemption from Sinking Fund Installments paid from the Bond Fund on July 1 of the following years in the following amounts:

Series 2014 Bonds Maturing July 1, 2031*

<u>Year</u> <u>(July 1)</u>	<u>Sinking Fund</u> <u>Installment</u>
2025	\$380,000
2026	395,000
2027	415,000
2028	440,000
2029	465,000
2030	490,000
2031**	515,000

**Maturity

Extraordinary Redemption

The Series 2014 Bonds are subject to redemption in whole or in part at any time prior to maturity at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date set for redemption from funds deposited in the Redemption Fund from (i) proceeds from title insurance with respect to the Premises and the Project (the “Property”), (ii) proceeds from the condemnation of the Property or any portion thereof or from agreements with, or action by, a public authority in the nature of or in lieu of condemnation proceedings and related payments, and (iii) proceeds from insurance and related payments received in connection with the loss, damage or destruction of the Property, in each case to the extent such proceeds are not used for the repair or replacement of lost, damaged, destroyed or taken property. See “**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Destruction and Damage” and – Condemnation**” in Appendix B hereto.

* Preliminary, subject to change

Selection of Series 2014 Bonds to be Redeemed

If fewer than all of the Series 2014 Bonds are called for redemption, the particular maturities of the Series 2014 Bonds to be redeemed shall be selected by the Borrower. If fewer than all of the Series 2014 Bonds of any one maturity are called for redemption, the Trustee shall select the particular Series 2014 Bonds or portions thereof to be redeemed from such maturity by lot or in such other manner as the Trustee in its discretion may deem proper; provided, however, that the portion of any Series 2014 Bond to be redeemed shall be in an Authorized Denomination and in selecting Series 2014 Bonds for redemption, each Series 2014 Bond shall be treated as representing that number of Series 2014 Bonds that is obtained by dividing the principal amount of such Bond by the smallest Authorized Denomination. Any amounts that are less than an Authorized Denomination remaining after such redemption shall be transferred to the Bond Fund to pay interest on the Series 2014 Bonds on the next Interest Payment Date.

Notice of Redemption

The Trustee shall give notice by first-class mail of the call for any redemption of the Series 2014 Bonds at least 30 days (but no more than 60 days) before the redemption date to the registered owners of the Series 2014 Bonds to be redeemed; provided however, that so long as the Series 2014 Bonds are maintained in Book-Entry Form, notice of the call for redemption required to be given to the registered owners shall be given only to the Depository or its nominee in whose name the Series 2014 Bonds are registered. If for any reason it is impossible or impractical to mail such notice of redemption, the Trustee shall give notice of the call for any redemption by publication at least once in an Authorized New York Newspaper and at least once in an Authorized Baltimore Newspaper, which notice shall be published at least 30 days before the redemption date. Any such notice of the call for redemption (other than any notice of mandatory sinking fund redemption) may be conditioned on receipt by the Trustee of sufficient funds to pay the Redemption Price of the Series 2014 Bonds to be redeemed and the interest accrued thereon prior to the redemption date. The Series 2014 Bonds or portions thereof so called for redemption shall become due and payable at the Redemption Price provided for such Series 2014 Bonds or such portions thereof on such date plus accrued interest to such date and, if moneys for the payment of the Redemption Price and accrued interest are held by the Trustee as provided in the Indenture, interest on such Series 2014 Bonds or such portions thereof so called for redemption shall cease to accrue, such Series 2014 Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture, and the registered owners thereof shall have no rights in respect of such Series 2014 Bonds or such portions thereof so called for redemption except to receive payment of the Redemption Price thereof and the accrued interest thereon so held by the Trustee. If the notice of redemption is given as stated above, failure of any holder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Series 2014 Bonds.

Transfer and Exchange of Series 2014 Bonds

Any Series 2014 Bond may be exchanged for an equal aggregate principal amount of Series 2014 Bonds of the same maturity and bearing interest at the same rate and of other Authorized Denominations, and the transfer of any Series 2014 Bond may be registered, upon presentation and surrender of such Bond at the corporate trust office of the Trustee in Wilmington, Delaware, together with an assignment duly executed by the Owner or the Owner's attorney or legal representative. The Issuer and the Trustee may require the person requesting any such exchange or transfer to reimburse them for any tax, fee or other governmental charge, shipping charges and insurance payable in connection therewith. Neither the Issuer nor the Trustee shall be required to transfer or exchange any Series 2014 Bond after (i) the notice calling such Bond (or portion thereof) for redemption has been given or (ii) during the period beginning at the opening of business on the 15th day (whether or not a Business Day) immediately preceding either any Interest Payment Date or any date of selection of Series 2014 Bonds to be redeemed and ending at the closing of business on the Interest Payment Date or day on which the applicable notice of redemption is given.

Acceleration of Maturity

Upon the occurrence of certain events, the due date for the payment of the principal amount of the Series 2014 Bonds may be accelerated. See “**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default” and – Remedies**” in Appendix B hereto.

Book-Entry-Only System for Series 2014 Bonds

The information provided under this caption, “**THE SERIES 2014 BONDS - Book-Entry Only System,**” has been provided by The Depository Trust Company, New York, New York (“**DTC**”). No representation is made by the Issuer, the Trustee, the Borrower or the Underwriter as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Series 2014 Bonds set forth on the cover page of this Official Statement, each in the aggregate principal amount of such maturity, and all certificates will be deposited with DTC or pursuant to its instructions.

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

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

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). The deposit of the Series 2014 Bonds with DTC and their registration in the name of Cede & Co. (or such other nominee as requested by an authorized representative of DTC) effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If fewer than all of the Series 2014 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and Redemption Price of and interest on the Series 2014 Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Participants and not of DTC (or its nominee), the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and Redemption Price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct Participants and Indirect Participants.

IT IS THE DUTY OF EACH BENEFICIAL OWNER TO MAKE ARRANGEMENTS WITH THE APPLICABLE DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH PARTICIPANT NOTICES OF PAYMENTS OF PRINCIPAL, REDEMPTION PRICE AND INTEREST, AND ALL OTHER PAYMENTS AND COMMUNICATIONS WHICH THE DIRECT PARTICIPANT RECEIVES FROM DTC. NEITHER THE ISSUER NOR THE TRUSTEE HAS ANY DIRECT OBLIGATION OR RESPONSIBILITY TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

For every transfer and exchange of ownership interests in the Series 2014 Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. In addition, the Issuer may, and at the request of the Underwriter shall, decide to discontinue the use of DTC or any successor as securities depository for the Series 2014 Bonds under certain circumstances; any book-entry system will also be discontinued at the written request of 100% of the beneficial owners of the Series 2014 Bonds. Under such circumstances, in the event that a successor securities depository is not required under the Indenture or obtained, bond certificates are required to be printed and delivered in accordance with the Indenture.

So long as Cede & Co., or any successor thereto, is the registered owner of the Series 2014 Bonds, as DTC's partnership nominee, references herein to the Bondholders or Owners or Holders or registered owners of the Series 2014 Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2014 Bonds. During such period, the Trustee and the Issuer will recognize DTC or its partnership nominee as the owner of all of the Series 2014 Bonds for all purposes, including the payment of the principal and Redemption Price of and interest on the Series 2014 Bonds, as well as the giving of notices and voting.

THE ISSUER AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2014 BONDS (1) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2014 BONDS, (2) CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2014 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2014 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF THE SERIES 2014 BONDS OR

ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO: (1) THE SERIES 2014 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (3) THE PAYMENT OF ANY AMOUNT DUE TO ANY DIRECT OR INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2014 BONDS; (4) THE DELIVERY BY DTC TO ANY DIRECT PARTICIPANT, OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE OR THE SERIES 2014 BONDS TO BE GIVEN TO OWNERS OF THE SERIES 2014 BONDS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2014 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF THE SERIES 2014 BONDS.

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS

Limited Obligations

The Series 2014 Bonds and the other obligations of the Issuer provided for in the Indenture will be limited obligations of the Issuer and are payable by the Issuer solely out of the Trust Estate and the revenues derived therefrom or in connection with the Bond Documents. The Series 2014 Bonds and the other expense reimbursement obligations of the Issuer provided for in the Indenture shall never be payable out of any other funds of the Issuer except the Trust Estate and such revenues.

THE SERIES 2014 BONDS AND INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL AND REDEMPTION PRICE OF AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE SERIES 2014 BONDS NOR THE INTEREST THEREON NOR THE REDEMPTION PRICE THEREOF IS A DEBT, LIABILITY OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER. THE ISSUANCE OF THE SERIES 2014 BONDS IS NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY A MORAL OR OTHER OBLIGATION OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER, TO LEVY OR PLEDGE ANY TAX OR TO MAKE ANY APPROPRIATION TO PAY THE SERIES 2014 BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON, OR THE REDEMPTION PRICE OF, THE SERIES 2014 BONDS. THE ISSUER HAS NO TAXING POWER.

Leasehold Deed of Trust; Security Agreement; and Assignment of Management Agreement

The obligations of the Borrower under the Loan Agreement will be secured by (i) the Leasehold Deed of Trust and Assignment of Rents and Leases, pursuant to which the Borrower will grant to the deed of trust trustees named therein for the benefit of the Issuer a first lien on the Borrower's interest in the Project and on the Borrower's leasehold interest in the Premises created by the Ground Lease and has assigned and pledged to the Issuer the Borrower's interest in the issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Project, (ii) the Security Agreement from the Borrower to the Issuer pursuant to which the Borrower will grant to the Issuer a first priority security interest in the General Revenues of the Project, the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's operation of the Project, in the inventory located at the Project, and in the equipment, furnishings, and other tangible personal property owned by the Borrower and included in the Project, and (iii) the Assignment of Management Agreement from the Borrower to the Issuer pursuant to which the Borrower will assign to the Issuer its rights in the Management Agreement. See "**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LEASEHOLD DEED OF TRUST – Security;**" – **SUMMARY OF CERTAIN PROVISIONS OF THE SECURITY AGREEMENT;**" and **SUMMARY OF CERTAIN PROVISIONS OF THE MANAGEMENT AGREEMENT – Security**" in Appendix B hereto.

Pledge and Assignment of Trust Estate

Pursuant to the Indenture, the Issuer will assign and grant to the Trustee a security interest in the Trust Estate, in order to secure the payment of the principal of, premium, if any, and interest on the Series 2014 Bonds according to their tenor and effect and to secure the performance and observance by the Issuer of the covenants expressed in the Indenture and in the Series 2014 Bonds, which Trust Estate consists of:

(i) all the right, title, and interest of the Issuer in and to (a) the Loan Agreement (except for Unassigned Rights), (b) the Leasehold Deed of Trust, (c) the Security Agreement, and (d) the Assignment of Management Agreement, and all extensions and renewals of the terms thereof or thereto, if any, and all amounts encumbered thereby, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive, and make receipt for payments (including, without limitation, the Loan Payments) and other sums of money payable, receivable, or to be held thereunder, to bring any actions and proceedings thereunder or for the enforcement thereof, and to do any and all other things which the Issuer is or may become entitled to do under the foregoing;

(ii) all the right, title, and interest of the Issuer in and to all cash proceeds and receipts arising out of or in connection with the sale of the Series 2014 Bonds and all moneys held by the Trustee in the funds created under the Indenture, including the Revenue Fund, the Bond Fund, the Debt Service Reserve Fund, the Issuance Cost Fund, the Bond Proceeds Fund, the Repair and Replacement Fund, the Operating Reserve Fund, the Insurance Fund, the Condemnation Fund and the Redemption Fund, but excluding the Surplus Fund and the Rebate Fund, created thereunder, or held by the Trustee as special trust funds derived from insurance proceeds, condemnation awards, payments on contractors' performance or payment bonds or other surety bonds, or any other source;

(iii) all the right, title, and interest of the Issuer in and to all moneys and securities and interest earnings thereon from time to time delivered to and held by the Trustee under the terms of the Indenture, except for moneys and securities on deposit from time to time in the Surplus Fund and the Rebate Fund, and all other rights of every name and nature and any and all other property from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned, or transferred as and for additional security thereunder by the Issuer or by anyone on its behalf or with its written consent to the Trustee; and

(iv) all the right, title, and interest of the Issuer in and to all proceeds (cash and noncash) of any or all of the foregoing, including, without limiting the generality of the foregoing, all inventory, accounts, chattel paper, documents, equipment, instruments, farm products, consumer goods, and general intangibles constituting proceeds acquired with cash proceeds of any or all of the foregoing.

The liens and security interests granted and created by the Leasehold Deed of Trust, the Security Agreement, the Assignment of Management Agreement and the Indenture are subject to a prior lien to secure the payment of all fees and expenses of the Trustee.

Unless an Event of Default occurs and continues, the Borrower is permitted to possess and use the Security (except cash, securities, and other personal property deposited with the Trustee) and receive and use the revenues, issues, profits, and other income of the Security (except cash, securities, and other personal property required to be deposited with the Trustee).

Because of certain risks associated with pledging and granting a security interest in collateral, and realizing value upon disposition of collateral of the nature described above, potential investors should not rely solely upon such collateral as providing security for the Series 2014 Bonds. See **"CERTAIN BONDHOLDERS' RISKS – Certain Interests and Claims of Others"** herein.

Revenue Fund

Under the Indenture, a Revenue Fund has been created by the Issuer and ordered established with the Trustee, into which the Borrower has agreed to deposit or cause to be deposited, upon receipt thereof, all General Revenues of the Project received or collected by or on behalf of the Borrower. The amounts deposited in the Revenue Fund shall be disbursed by the Trustee on the 20th day of each month (or the next succeeding Business Day if the 20th day of a month is not a Business Day) in the following order of priority to the extent that moneys are available therefor:

(1) There shall be transferred to the Bond Fund the amount the Borrower is obligated to pay as the Basic Loan Payments pursuant to the Loan Agreement.

(2) There shall be transferred to the Manager for deposit in the Operating Fund the amount budgeted in the Annual Budget for operating expenses of the Project for the two next succeeding months (excluding any management fee), all as certified to the Trustee by the Borrower or the Manager.

(3) There shall be transferred to the Debt Service Reserve Fund any Reserve Loan Payments required to be made pursuant to the Loan Agreement.

(4) There shall be transferred to the Repair and Replacement Fund the amount the Borrower is obligated to pay as an Additional Loan Payment for deposit therein pursuant to the Loan Agreement.

(5) There shall be paid to the Issuer and the Trustee any amounts owed as Additional Loan Payments to such parties pursuant to the Loan Agreement.

(6) There shall be transferred to the Operating Reserve Fund any Operating Reserve Fund Loan Payments required to be made pursuant to the Loan Agreement.

(7) There shall be paid to the Manager any management fees owed pursuant to the Management Agreement which shall be evidenced by a written invoice approved by the Borrower.

(8) Any remaining amounts shall be transferred to the Surplus Fund.

See “**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LOAN DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Loan Payments and Other Amounts Payable**” in Appendix B hereto.

In certain circumstances, amounts on deposit in the Surplus Fund, if any, will be transferred to the Bond Fund or the Operating Fund or both. See the last paragraph under the heading “**Surplus Fund**” below.

Amounts on deposit in the Surplus Fund shall, upon the satisfaction of certain conditions set forth below under “**Surplus Fund**”, be transferred annually to the Borrower and ninety percent thereof shall be transferred by the Borrower to the College, in accordance with the Ground Lease.

Surplus Fund

Under the Indenture, a Surplus Fund has been created into which moneys remaining in the Revenue Fund after the disbursements described in subsections (1) through (7) above shall be transferred. On the date which is 30 days after the receipt by the Trustee of annual audited financials for each Fiscal Year of the Project, or the next succeeding Business Day if such date is not a Business Day (the “**Release Date**”), the amounts on deposit in the Surplus Fund shall first be used by the Trustee to cure any deficiency in the Bond Fund, the Operating Fund (in an amount based upon a certificate from the Authorized Borrower Representative to the Trustee), the Debt Service Reserve Fund, the Repair and Replacement Fund, and the Operating Reserve Fund (in that order), second, to cure any unpaid amount due and owed as an Additional Loan Payment, third, to cure any unpaid amount due and owing to the Manager and the balance remaining in the Surplus Fund, if any, shall be transferred to the Borrower; provided that such transfer to the Borrower shall be made only upon receipt of written direction from an Authorized Borrower Representative certifying that no Event of Default has occurred under the Indenture, and a certificate of an Accountant certifying the following release tests (the “**Release Tests**”) have been satisfied:

(i) The Fixed Charges Coverage Ratio is at least 1.25 for the most recent Fiscal Year as reflected in the audited financial statements delivered to the Trustee; and

(ii) The Annual Budget for the Project for the then-current Fiscal Year has established rates, fees and charges such that the Fixed Charges Coverage Ratio for such current Fiscal Year is projected to be at least 1.25.

If the Release Tests are not satisfied, then the Trustee will retain the moneys on deposit in the Surplus Fund in a separate account (the “**Surplus Account**”) within the Surplus Fund until the next Release Date on which the Release Tests are met, at which time such balance will be transferred to the Borrower as described above.

If on any date the Trustee makes a transfer from the Revenue Fund, there are insufficient amounts on deposit therein to make the disbursements described in paragraphs (1) or (2) under the heading, “**Revenue Fund**” above, the amounts on deposit in the Surplus Fund (including the Surplus Account) shall be used by the Trustee (in

the following order) to cure any deficiency in the Bond Fund or in the Operating Fund (excluding any management fee and in an amount based upon a certificate from the Authorized Borrower Representative to the Trustee).

Bond Proceeds Fund

On the Closing Date, the Trustee shall transfer from the Bond Proceeds Fund the sum of \$6,989,358.85 to be applied to the redemption, in accordance with the 2000 Indenture, of all of the outstanding Series 2000A Bonds. See “**ESTIMATED SOURCES AND USES OF FUNDS**” herein and “**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Bond Proceeds Fund**” in Appendix B hereto.

Debt Service Reserve Fund

Under the Indenture, a Debt Service Reserve Fund has been created for the benefit of the Series 2014 Bonds. On the Closing Date, \$546,625 of transferred proceeds of the Series 2000A Bonds will be deposited in the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement for the Series 2014 Bonds. See “**ESTIMATED SOURCES AND USES OF FUNDS**” herein. The Debt Service Reserve Fund will be used to pay principal of, premium, if any, and interest on the Series 2014 Bonds and on any Additional Bonds for which there is a Debt Service Reserve Requirement to the extent there are insufficient funds on deposit in the Bond Fund on the date such payment is due after transferring to the Bond Fund first from each of the Operating Reserve Fund and the Repair and Replacement Fund all moneys held therein. If any amounts are withdrawn from the Debt Service Reserve Fund or there is a diminution in the value of the amounts held in the Debt Service Reserve Fund as of any December 31 or June 30 (beginning June 30, 2014) or if any net losses result from the investment of amounts held in the Debt Service Reserve Fund that reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Requirement, the Borrower is obligated to pay monthly Reserve Loan Payments to the Trustee for deposit into the Debt Service Reserve Fund as follows: (i) 1/4th of the amount of such deficiency if the value of the assets credited to the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement and such deficiency results from a decline in the value of the assets of the Debt Service Reserve Fund; or (ii) 1/12th of the amount of such deficiency if such deficiency results from any withdrawal from the Debt Service Reserve Fund or from any other cause, in each case until the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Requirement, subject to a credit for earnings retained in, or other deposits made to, the Debt Service Reserve Fund during such period. If Additional Bonds are issued, the Debt Service Reserve Fund will be required to be increased by an amount equal to the Debt Service Reserve Requirement, if any, for such Additional Bonds. If at any time money in the Rebate Fund is less than Excess Earnings, moneys on deposit in the Debt Service Reserve Fund shall be transferred by the Trustee in an amount sufficient to cause the Rebate Fund to contain an amount equal to such Excess Earnings (after using amounts on deposit in the Surplus Fund, Insurance and Condemnation Funds, the Repair and Replacement Fund, the Operating Reserve Fund, the Bond Proceeds Fund and the Revenue Fund).

Repair and Replacement Fund

The Repair and Replacement Fund is a trust fund to which the Trustee is required to transfer moneys from the Revenue Fund as described above under the heading “**Revenue Fund**.” Amounts on deposit in the Repair and Replacement Fund will be used to pay (i) the maintenance and repair costs related to the Project and Equipment which the Borrower is obligated to pay pursuant to the Loan Agreement, (ii) any reconstruction costs of the Project, (iii) any capital costs of the Project and (iv) the principal of, premium, if any, and interest on the Bonds to the extent there are insufficient moneys in the Bond Fund therefor on any Interest Payment Date (after taking into account any transfers from the Surplus Fund to cure such deficiencies as described above under the heading “**Surplus Fund**”). If at any time money in the Rebate Fund is less than Excess Earnings, moneys on deposit in the Repair and Replacement Fund shall be transferred by the Trustee in an amount sufficient to cause the Rebate Fund to contain an amount equal to such Excess Earnings (after using amounts on deposit in the Surplus Fund and Insurance and Condemnation Funds). The amount of the annual deposit to the Repair and Replacement Fund shall be increased each Fiscal Year by the greater of (i) 3% per year or (ii) the amount, based on the physical condition of the Project, contained in a recommendation of an independent architect or engineer employed by the Borrower every three years.

Operating Reserve Fund

The Operating Reserve Fund is a trust fund to which the Trustee is required to transfer moneys from the Revenue Fund as described above under the heading “**Revenue Fund**.” Moneys in the Operating Reserve Fund (i) may be transferred by the Trustee to the Manager for deposit in the Operating Fund, to enable the Trustee to make

the transfer from the Revenue Fund to the Manager for deposit in the Operating Fund required by the Loan Agreement, (ii) used to pay operating expenses (other than the management fee) related to the Project, to the extent that the amounts on deposit in the Operating Fund are not sufficient to pay such expenses, or (iii) used by the Trustee to pay principal of, premium, if any, and interest on the Bonds to the extent there are insufficient moneys in the Bond Fund therefor on any Interest Payment Date (after taking into account any transfers from the Surplus Fund to cure such deficiencies as described above under the heading “**Surplus Fund**”). If at any time money in the Rebate Fund is less than Excess Earnings, moneys on deposit in the Operating Reserve Fund shall be transferred by the Trustee in an amount sufficient to cause the Rebate Fund to contain an amount equal to such Excess Earnings (after using amounts on deposit in the Surplus Fund, Insurance and Condemnation Funds and the Repair and Replacement Fund).

Title and Property Insurance

A mortgagee’s title insurance policy or a commitment therefor will be delivered in the amount of not less than the original principal amount of the Series 2014 Bonds (less the amount of the Debt Service Reserve Requirement) to insure that the Trustee will have a valid first priority lien on the Borrower’s interest in and to the Premises, subject only to Permitted Encumbrances and the standard exclusions from the coverage of such policy. Under such title insurance policy, the Trustee is not permitted to recover more than the fair market value of any property which is lost as a result of a title defect. The Borrower will agree in the Loan Agreement to keep the Project fully insured against fire and other casualties and to maintain certain specified amounts of liability and business interruption insurance. See “**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Insurance**” in Appendix B hereto.

Satisfaction and Discharge

The Indenture will provide that if at any time the Issuer shall have paid or caused to be paid the principal of (and premium, if any) and interest on all the Bonds Outstanding, and shall pay or cause to be paid all other sums payable under the Indenture, at the times and in the manner stipulated therein, in the Indenture and in any supplemental indenture authorizing the issuance of any Additional Bonds, then the lien and security interest of the Indenture and all other rights granted under the Indenture to the Bonds shall be canceled and discharged.

The Indenture also will provide that the Bonds of any series will be deemed to have been paid if (1) in case the Bonds are to be redeemed on any date prior to their stated maturity, the Borrower has given to the Trustee irrevocable instructions to give notice of redemption of such Bonds, (2) there has been deposited with the Trustee either money sufficient, or Government Obligations the principal of and the interest on which, together with moneys on deposit with the Trustee, if any, will provide money sufficient without reinvestment, to pay when due the principal of (and premium, if any) and interest due and to become due on said Bonds on and prior to the maturity thereof and (3) certain other conditions are met. See “**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Discharge; Release.**”

Additional Bonds

The Indenture permits the issuance of Additional Bonds secured on a parity in all respects with the Series 2014 Bonds. If certain conditions contained in the Loan Agreement are met, Additional Bonds may be issued under and secured by the Indenture and the proceeds loaned to the Borrower to provide funds to pay any one or more of the following: (i) the costs of making Additions or Alterations in, on, or to the Project as the Borrower may deem necessary or desirable and as will not impair the nature of the Project as a student housing facility and as will be located on the Premises, (ii) to refund any Bonds, and (iii) in each such case, the costs of the issuance of the Additional Bonds and capitalized or funded interest for such period and other costs reasonably related to the financing as shall be agreed upon by the Borrower and the Issuer, including funding the Debt Service Reserve Requirement for such Additional Bonds, if required.

See “**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Additional Bonds**” in Appendix B hereto and “**CERTAIN BONDHOLDERS’ RISKS – Additional Bonds**” herein.

Financial Covenants

In the Loan Agreement, the Borrower will covenant to charge, in each Fiscal Year, such rates, fees, and charges at the Project as will be sufficient to produce a Fixed Charges Coverage Ratio of at least 1.25, as determined from its annual audited financial statements; provided that principal and interest payable on any Indebtedness shall not be included in the computation of Fixed Charges to the extent that such principal and interest is payable from the proceeds of any Indebtedness. In the event that it is determined, based upon the financial statements for the Project, that for any Fiscal Year for the Project such Fixed Charges Coverage Ratio of at least 1.25 was not maintained, the Borrower will agree to employ, within 30 days from the Borrower's preparation of such financial statements, a Financial Consultant for purposes of obtaining a report of such firm containing recommendations as to changes in the operating policies of the Borrower at the Project designed to maintain such Fixed Charges Coverage Ratio and to follow such recommendations to the extent permitted by law. No default will occur if such recommendations are followed and such Fixed Charges Coverage Ratio is at least 1.00 notwithstanding that such Fixed Charges Coverage Ratio is not subsequently reattained, but the Borrower will continue to be obligated to employ such a Financial Consultant for such purpose until such Fixed Charges Coverage Ratio is reattained. The Borrower further will covenant that it will, from time to time as often as necessary and to the extent permitted by law, revise the rates, fees, and charges aforesaid in such manner as may be necessary or proper so that its Revenue Available for Fixed Charges will be sufficient to meet the requirements of the Loan Agreement, and further, that it will, in order to comply with the provisions of the Loan Agreement, take all action within its power to obtain approvals of any regulatory or supervisory authority to implement any rates, fees, and charges required by the Loan Agreement.

Enforceability of Remedies

The realization of value from the real and personal property comprising the Project and from the other security for the Series 2014 Bonds upon any default will depend upon the exercise of various remedies specified by the Bond Documents. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. See "**CERTAIN BONDHOLDERS' RISKS – Enforceability of Remedies**" and – **Certain Interests and Claims of Others**" herein.

College and Foundation Not Liable; No Recourse Against the Borrower, the Foundation or the College

Neither the College nor the Foundation has any liability for the payment of the principal of, premium, if any, or interest on the Series 2014 Bonds, nor shall the College or the Foundation be responsible or liable for any other obligations of the Borrower, except as may otherwise be expressly stated herein, under the Loan Agreement or any of the other Bond Documents, either as principal or guarantor. The Borrower has no liability under the Loan Agreement, any other Bond Document or any other documents delivered in connection with the issuance of the Series 2014 Bonds, beyond its interest in the Project and any funds held therefor under the Indenture. See "**NON-RECOURSE OBLIGATION OF THE BORROWER,**" "**THE FOUNDATION NOT LIABLE FOR SERIES 2014 BONDS**" and "**THE COLLEGE NOT LIABLE FOR SERIES 2014 BONDS**" herein.

THE GROUND LEASE

Pursuant to the Ground Lease, the College leases the Premises to the Borrower for a remaining term of approximately 26½ years, subject to certain termination rights provided therein. The annual rental payment payable by the Borrower to the College under the Ground Lease is equal to 90% of the Net Available Cash Flow released to the Borrower under the Indenture. While the Series 2014 Bonds are Outstanding, Net Available Cash Flow will be released from time to time to the Borrower from the Surplus Fund created under the Indenture. Under the terms of the Ground Lease, the balance of the Net Available Cash Flow released will remain with the Borrower. The Borrower has agreed in the Ground Lease to market and rent the Project only to Residents, defined in the Ground Lease to be any person who is a student in good standing enrolled at the College or is a faculty or staff member of the College and who is qualified and approved pursuant to the College's and Project's policies and procedures.

The occurrence of any of the following will constitute an Event of Default on the part of the Borrower under the Ground Lease:

- (i) The Borrower's failure or refusal to observe, perform or comply with any provision of the Ground Lease and the expiration of the applicable cure period, if any;
- (ii) The Borrower is adjudicated a bankrupt;

(iii) A permanent receiver is appointed for the Borrower's interest in the Premises and such receiver is not removed within 90 days after notice from the College to the Borrower to obtain such removal;

(iv) The Borrower voluntarily or involuntarily takes advantage of any debtor relief proceedings under any present or future law whereby Rent (as defined in the Ground Lease) due under the Ground Lease or any part thereof is reduced or payment thereof deferred and said proceedings are not dismissed within 90 days after notice from the College to the Borrower to obtain such dismissal;

(v) The Borrower makes a general assignment for the benefit of creditors; or

(vi) The Premises or Borrower's personal property are levied upon or attached under process and the same is not satisfied or dissolved within 90 days after notice from the College to the Borrower to obtain such satisfaction or dissolution thereof.

Upon the occurrence of any of the foregoing Events of Default, the College will have the right to:

(i) terminate the Ground Lease and take possession and control of the Premises; or

(ii) without terminating the Ground Lease, re-let the Premises upon obtaining the consent of the holder of a Leasehold Mortgage (as defined in the Ground Lease) on the Premises and collect from the Borrower the reasonable costs and expenses of re-letting, repairing, and altering the Premises.

Notwithstanding the foregoing termination rights of the College, a Leasehold Mortgagee is entitled to extend the date of termination in order to allow it to acquire the Borrower's interest in the Ground Lease by foreclosure or otherwise. If the Ground Lease is terminated due to a default by the Borrower, the Leasehold Mortgagee will have the option, but not the obligation, to enter into a lease of the Premises with the College at the same rent and upon the same terms and conditions contained in the Ground Lease; provided that if the Premises is to be marketed and leased by such Leasehold Mortgagee to persons other than Residents, and/ or utilized as other than a student housing facility, the Leasehold Mortgagee must deliver an opinion of Bond Counsel to the Trustee that any such change in ownership or use will not affect the tax-exempt status of the interest on the Series 2014 Bonds.

If the Leasehold Mortgagee does not elect to enter into such a lease of the Premises with the College, then, as a condition to the College's right to terminate the Ground Lease, the College must assume the obligations of the Borrower under the Bond Documents and grant to the Leasehold Mortgagee a perfected, first priority security interest in the Gross Revenues (as defined in the Ground Lease) for the purpose of securing any indebtedness owed to the Leasehold Mortgagee by the Borrower, and must covenant that if the Premises is to be marketed and leased by the College to persons other than Residents, and/or utilized as other than a student housing facility, the College must deliver an opinion of Bond Counsel to the Trustee that any such change in ownership or use will not affect the tax-exempt status of the interest on the Series 2014 Bonds. Subject to certain exceptions, the Borrower's liability under the Ground Lease is non-recourse, and the College's source of satisfaction of the Borrower's obligations is limited to the Borrower's interest in the Premises and the revenues related thereto.

If, upon an Event of Default under the Ground Lease, the College elects to re-let the Premises after obtaining the consent of the holder of a Leasehold Mortgage, then the Ground Lease permits such Person which succeeds to all or any part of the leasehold estate created by the Ground Lease, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, or otherwise, to market and rent the Premises to persons other than Residents, and/or utilize the Project in a manner other than as a student housing facility, so long as such Person delivers an opinion of Bond Counsel to the Trustee that any such change in ownership or use will not affect the tax-exempt status of the interest on the Series 2014 Bonds. See "**TAX EXEMPTION**" and "**CERTAIN BONDHOLDERS' RISKS – Liquidation of Security may not be Sufficient in the Event of a Default**" and – **Special Use Nature of the Project; Ground Lease Provisions**" herein.

The College, upon serving the Borrower with any notice of default or termination, shall simultaneously serve a copy of such notice on any Leasehold Mortgagee. Any Leasehold Mortgagee shall then have the same period after service of the notice on it as was given to the Borrower under the Ground Lease to remedy or cause to be remedied the default complained of and the College shall accept performances by or at the instigation of any Leasehold Mortgagee as if it had been done by the Borrower.

In addition, a Leasehold Mortgagee shall have an additional period of ninety (90) days to remedy or cause to be remedied any default of which it receives notice, which period shall be extended in the event of a default

which cannot reasonably be remedied in ninety (90) days, provided that the Leasehold Mortgagee has commenced and is diligently attempting to remedy the default.

The College agrees to include the Project among its information packages about the College sent to prospective students, and will cooperate with the Borrower to encourage students who are seeking housing to become residents. The College further agrees that it will not construct any new or additional housing project that will compete with the Project unless (i) an average of at least 95% of the units in the Project have been occupied during the two most recent Fiscal Years, and (ii) the College has provided to the Trustee a feasibility study that projected revenues of the Project and of the new facility for each of the two immediately succeeding fiscal years after the new facility will be no less than 1.25 times the aggregate of the maximum annual debt service on the Series 2014 Bonds and on any additional debt incurred with respect to such new facility.

Title to the land upon which the Project is located is vested in the College in fee simple. Subject to the terms and conditions of the Ground Lease, the title to all improvements, furnishings and equipment located on the Premises shall be vested in the Borrower until termination or sooner expiration of the Ground Lease, at which time all title to and ownership of them automatically and immediately shall vest in the College.

THE ISSUER

The Issuer is a body politic and corporate and is constituted as an instrumentality created pursuant to the Act. The Issuer was established by statute in 1984 to assist in and complement existing programs of the Maryland Department of Business and Economic Development, by, among other things, providing direct property development capability for economic development purposes. Pursuant to the terms of the Act, the Issuer is authorized to issue revenue bonds for projects (as defined in the Act), including the Project.

Membership and Organization

The Act provides that the Issuer shall be managed by a Board of Directors consisting of twelve (12) residents of the State of Maryland. The Secretaries of Business and Economic Development and Transportation serve as *ex-officio* voting Directors. The remaining ten members of the Board are appointed by the Governor with the advice and consent of the Senate to four-year terms. Two of these ten are to be representatives of local government, three are to be knowledgeable in real estate or commercial financing, three are to be knowledgeable in industrial development or industrial relations, and two are to be members of the general public. The Board of Directors elects a chair, vice chair, and treasurer from among its members. Subject to the approval of the Governor, the Board appoints an Executive Director who serves at the pleasure of the Board as the chief administrative officer of the Issuer, managing its administrative affairs and technical activities in accordance with the policies and procedures established by the Board. In addition to the Executive Director, the Issuer has eight full-time employees and one part-time professional employee.

Robert C. Brennan was appointed the Executive Director of the Issuer in May, 2004. Prior to his appointment, Mr. Brennan served in the Maryland Department of Business and Economic Development as the Assistant Secretary for the Rural Regions in Maryland and administered the Department's financing programs. Mr. Brennan began his professional career as an asset-based lender with Maryland National Industrial Finance, and he spent twenty years in the commercial banking and leasing industry. Prior to leaving the field of banking, Mr. Brennan held the title of Senior Vice President of First Fidelity Bank.

The members of the Board of Directors of the Issuer are as follows:

Martin G. Knott, Jr., Chairman; term expires June 30, 2015; Knott Mechanical, Inc.
Douglas M. Hoffberger, Vice Chairman; term expires June 30, 2015; Keystone Realty Company, Inc.
Scott E. Dorsey, Treasurer; term expires June 30, 2016; Merritt Properties, LLC.
Dominick E. Murray, ex-officio; Secretary of Business and Economic Development.
James T. Smith, Jr., ex-officio; Secretary of Transportation.
Dana B. Stebbins; term expires June 30, 2015; The Cornelius Group.
Frederick J. Puente; term expires June 30, 2016; Blind Industries and Services of Maryland.
David H. Michael; term expires June 30, 2014; The Michael Companies, Inc.
Herbert D. Frerichs, Jr., Esquire; term expires June 30, 2014; Venable LLP.
Barbara G. Buehl; term expires June 30, 2016; Allegany County Department of Tourism.
Jennifer R. Terrasa, Esquire; term expires June 30, 2014; Member, Howard County Council.
Anita M. Jackson; term expires June 30, 2016; Baltimore Gas and Electric Company.

Unless removed, members of the Board of Directors serve until reappointed or a successor is appointed and qualifies.

Powers

The Act authorizes the Issuer, among other things, to acquire, improve, develop, manage, market, maintain, lease as lessor or as lessee and operate any project (as defined in the Act) in the State; to acquire, purchase, hold, lease as lessee, and use any property necessary or convenient to carry out its purposes; to borrow money and issue bonds to finance any part of the cost of its Project; to secure the payment of such borrowing by pledge of or deed of trust on its properties or revenues; to accept loans, grants or assistance of any kind from the federal government, a governmental unit, or a private source; to fix and collect rates, rentals, fees and charges for services and facilities it provides or makes available; and to do all things necessary or convenient to carry out the powers expressly granted by the Act.

Bonds and Notes

As of June 30, 2013, the Issuer had total outstanding bonds and notes of approximately \$2,377,000,000 including indebtedness with respect to over 132 Project of various types, including mortgages, notes, revenue bonds, lease revenue bonds, industrial revenue bonds, adjustable rate pooled financing revenue bonds, and first mortgage revenue bonds. The Issuer is also a party to direct financing leases and operating leases.

The several series of outstanding bonds and notes issued by the Issuer are limited obligations of the Issuer, payable solely from revenues of the Issuer received in connection with the respective Project financed or refinanced, and do not constitute general obligations of the Issuer, and the full faith and credit of the Issuer is not pledged to the payment of the principal or Redemption Price of and interest on these series of bonds. Although certain revenue bonds issued by the Issuer have been in default as to principal and interest, the sources of payment for such defaulted bonds are separate and distinct from the source of payment for the Bonds.

Assets of the Issuer other than the Trust Estate are not available to satisfy claims of holders of the Bonds. Property and funds held by or mortgaged to the Issuer for a particular issue of bonds are not available to satisfy claims of holders of other issues of the Issuer's bonds. The Issuer has no taxing power.

The Issuer intends to issue other series of bonds and notes for the purpose of financing and refinancing projects, and each such series will be issued pursuant to a resolution or trust agreement separate and apart from any other resolution or trust agreement, except to the extent a series of bonds may be issued on a parity with bonds of another series if permitted by the applicable resolution or trust agreement or issued pursuant to a general bond resolution of the Issuer.

THE PROJECT

The Project, known as "Willowbrook Woods at Allegany College of Maryland" is the only campus housing at the College. It is situated on approximately 5.5 acres adjacent to the Cumberland campus of the College. The Project consists of five residence buildings and one commons building. All buildings are 3-story wood-framed structures with vinyl siding and architectural fiberglass roof shingles as exterior sheathing and are equipped with central heat and air conditioning.

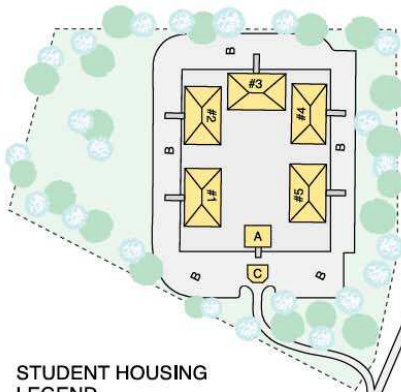
Each of the five residence buildings houses 12 four-bedroom apartment units of which 1 is used by the on-site resident supervisor. Of the 236 beds in the Project, 231 are leased to students and 5 are occupied by resident advisors. This represents a net rentable area of approximately 66,100 square feet and an average unit size of approximately 1,085 square feet. The configuration of each unit provides for 4 private bedrooms, 2 bathrooms, a central living area and full kitchen. The units are fully furnished and a sprinkler system is installed throughout each building.

In addition to the residence buildings, there is a commons building containing approximately 1,020 square feet which includes reception and office areas, laundry room and a multi-purpose recreational room. The Project also offers on-site parking. In the opinion of the College, the Project is in good repair and good operating condition. See **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Repair and Replacement Fund** herein.

The following is a map of the College's Cumberland campus showing the location of the Project.

ALLEGANY COLLEGE of MARYLAND

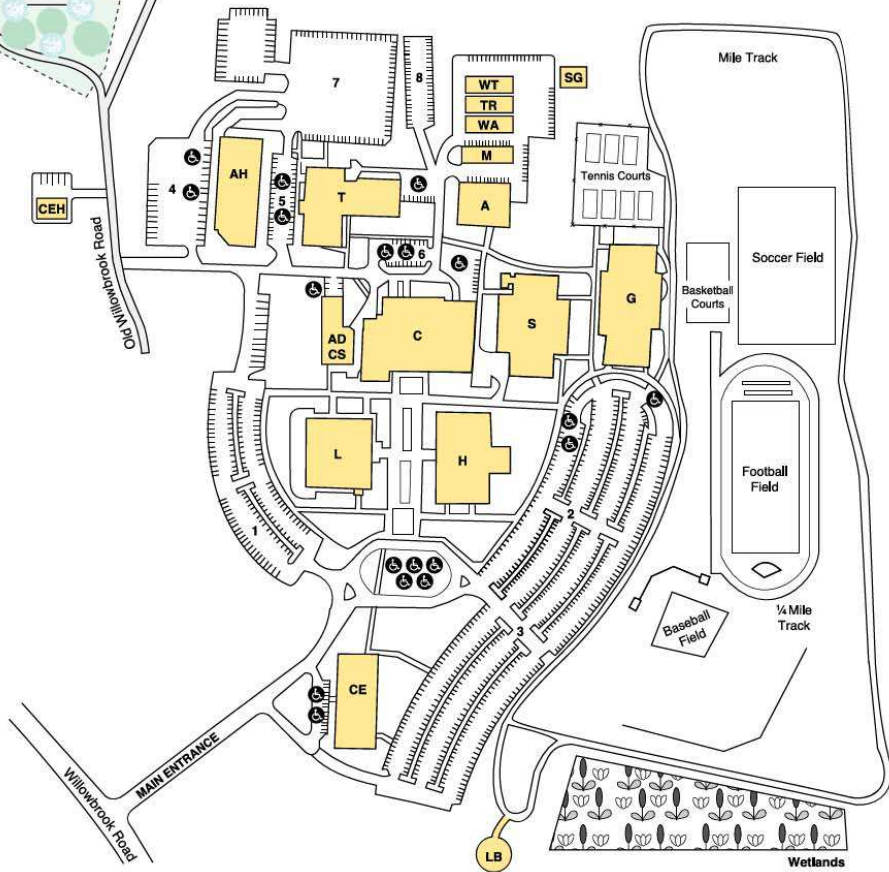
Cumberland Campus Map



Willowbrook Woods Student Housing Complex

STUDENT HOUSING LEGEND

- 1 - STUDENT HOUSING BUILDING
- 2 - STUDENT HOUSING BUILDING
- 3 - STUDENT HOUSING BUILDING
- 4 - STUDENT HOUSING BUILDING
- 5 - STUDENT HOUSING BUILDING
- A - CLUB HOUSE
- B - PARKING
- C - GATEHOUSE



THIS MAP NOT TO SCALE

LEGEND

A Automotive Technology	CEH Continuing Education Health & Human Services (CPR Office)	LB Labyrinth	WA Welding & Auto
AD Advancement (Foundation, Public Relations, Marketing)	CS Campus Store	M Maintenance	WT Workforce Training
AH Allied Health	G Gymnasium (Bob Kirk Arena)	S Sciences	1-8 Parking
C College Center	H Humanities	SG Storage	Handicap Parking
CE Continuing Education (Information Center)	L Donald L. Alexander Library	T Technologies	
		TR Transportation	

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THE MANAGEMENT AGREEMENT

The Project is managed by the College (the “*Manager*”) pursuant to the Management Agreement. See “**THE COLLEGE**” herein. After an initial term of 5 years, the Management Agreement is now automatically extended every year on April 1, unless the parties agree otherwise. The Manager agrees to manage, operate and maintain the Property in a prudent and efficient manner, in accordance with customary management practices for comparable properties. The Manager shall use reasonable efforts (i) to lease units in the Project only to students in good standing enrolled at the College and faculty and staff of the College, in each case, qualified and approved pursuant to the College’s and Project’s policies and procedures and (ii) to enforce all leases and to collect all moneys due under such leases. However, without the prior written approval of the Borrower, the Manager will not institute legal proceedings against any tenant. The Manager also manages all parking, telecommunications and other income-producing services and facilities at the Property.

The Manager shall prepare a budget for each fiscal year subject to the approval of the Borrower. Each budget shall include operating revenue and expenses and a line item for expenditures to be funded from the Repair and Replacement Fund. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 BONDS – Revenue Fund** and – **Repair and Replacement Fund**” herein. Pursuant to the Management Agreement, the Manager maintains the Operating Fund as a separate bank account for the payment of operating expenses of the Project. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Revenue Fund**” herein.

The Manager shall arrange for a sufficient number of capable employees to enable the Manager to carry out its duties under the Management Agreement. Such persons shall be the employees of the Manager. All matters pertaining to the employment supervision, promotion, and discharge of such employees are the responsibility of the Manager. The Manager shall be reimbursed out of the revenues of the Project for the gross salary and wages, payroll taxes, insurance, worker’s compensation, and other benefits and costs of any of the Manager’s employees who are directly involved in the management or operation of the Property, provided that (a) such employees, or categories of employees, shall have been identified in the approved budget or otherwise identified to and approved by the Borrower in writing, and (b) such costs do not exceed the budgeted amounts shown on the then current approved budget.

All gross income from the Property, including without limitation, student room charges, income relating to parking, tenant storage, and coin operated machines of all types shall be deposited in a separate bank account designated by the Borrower for the benefit of the Trustee, which shall be segregated from all other accounts and funds of the Manager and the Borrower. The Trustee shall have the sole and exclusive right to control the use and disposition of such account and will direct the transfer of moneys into the Revenue Fund. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Revenue Fund**” herein.

The Manager shall supervise all maintenance, repairs, alterations, capital improvements and improvements of the Property. In the event of extraordinary maintenance or repair expenses not anticipated in the applicable budget, the Borrower and the Manager shall, as promptly as practicable, develop and approve whatever amendment or supplement to the budget as may be appropriate. In case of emergency, the Manager may, after notice to the Borrower, make expenditures for repairs without prior written approval of the Borrower, if such repairs are necessary to prevent dangerous conditions or to comply with law.

The Manager shall not be liable or responsible to the Borrower for any failure or delay in the performance of any of the Manager’s agreements or obligations under the Management Agreement, to the extent such failure or delay is caused by: (i) the Borrower’s failure or refusal to provide the Manager with funds in accordance with budget, (ii) by the Borrower’s failure to respond to the Manager’s written request and communications in a timely manner with respect to material obligations of either the Borrower or the Manager under the Management Agreement, or (iii) the Borrower’s failure or inability to provide the Manager with appropriate information or documentation with respect to the Property and that are in the Borrower’s possession or control.

The Borrower shall pay to the Manager a management fee (the “Management Fee”) as follows:

- (A) The Management Fee for Fiscal Year 2014 shall be \$49,885.00;
- (B) The Management Fee for each successive Fiscal Year shall increase by three percent (3%) annually over the annual Management Fee for the immediately preceding Fiscal Year; and

(C) The Management Fee shall be paid in equal monthly installments.

If either party defaults in the observance or performance of any of its material obligations under the Management Agreement and continues such default for more than thirty (30) days after a reasonably detailed default notice from the other party, then such other party shall have the right, in addition to all other rights and remedies, to terminate the Management Agreement by giving a termination notice to the default party.

If either (A) the Fixed Charges Coverage Ratio falls below 1.25 for two (2) consecutive Fiscal Years; or (B) the Manager fails to follow the recommendations of the Financial Consultant as required by the Loan Agreement, the Borrower shall have the right, as its sole and exclusive remedy for such failure, to terminate the Management Agreement by giving a termination notice to the Manager.

THE BORROWER

The Borrower is a limited liability company formed in August, 2000 under the laws of the State of Maryland. The sole member of the Borrower is Somerset County Campus Foundation for Allegany College of Maryland (the "**Foundation**"), a corporation formed in 1992 under the laws of the Commonwealth of Pennsylvania. The Foundation is an organization that is exempt from federal income tax pursuant to §501(c)(3) of the Code. The purpose of the Borrower is to support the educational purpose of the College by owning and operating the Project.

NON-RECOURSE OBLIGATION OF THE BORROWER

Notwithstanding anything in any of the Bond Documents to the contrary, the Borrower shall have no liability under the Loan Agreement, any other Bond Document or any other documents delivered in connection with the issuance of the Series 2014 Bonds, beyond its interest in the Property and any funds held therefor under the Indenture. The Issuer will agree not to enforce the liability and obligation of the Borrower to perform and observe the obligations contained in the Loan Agreement or any of the other Bond Documents in any action or proceeding wherein a money judgment shall be sought against the Borrower, except that the Issuer may bring a foreclosure action, or other appropriate action or proceeding to enable the Issuer to enforce and realize upon the Leasehold Deed of Trust, the Security Agreement and the Assignment of Management Agreement, and the Borrower's interest in the property pledged under the Leasehold Deed of Trust, the Security Agreement, the Assignment of Management Agreement and the Loan Agreement, provided, however, that any judgment in any such action or proceeding shall be enforceable against the Borrower only to the extent of the Borrower's interest in the Project and the other Security. The Issuer will agree that it will not sue for, seek, or demand any deficiency against the Borrower in such action or proceeding, under or by reason of or in connection with the Loan Agreement or any of the other Bond Documents, except for intentional failure of the Borrower to disclose material facts which were actually known by the Borrower and which were not known by the Issuer, the Trustee or the Underwriter (to the extent of any losses or damages caused thereby) or the misapplication of the Series 2014 Bond proceeds, any insurance or condemnation proceeds or any proceeds from rentals or any other lease of any portion of the Security actually received by the Borrower or any of its affiliates.

THE FOUNDATION NOT LIABLE FOR SERIES 2014 BONDS

ALTHOUGH THE FOUNDATION IS THE SOLE MEMBER OF THE BORROWER, THE SERIES 2014 BONDS ARE NOT OBLIGATIONS OF THE FOUNDATION, AND THE FOUNDATION IS NOT RESPONSIBLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2014 BONDS.

THE COLLEGE

Allegany College of Maryland, located in Cumberland, Maryland, is a two-year college founded in 1961. The College serves over 15 counties in Maryland, Pennsylvania, West Virginia and Virginia through its Cumberland campus, with two additional campuses in Somerset and Everett, Pennsylvania. The Somerset County Campus in Somerset, Pennsylvania opened in 1989, and the Bedford County Campus in Everett, Pennsylvania opened in 1990. The College is authorized by the Maryland Higher Education Commission to award the Associate in Arts, the Associate in Science and the Associate in Applied Science degrees as well as credit and continuing education certificates. The College and its campuses are fully accredited by the Commission on Higher Education, Middle States Association of Colleges and Schools. The Pennsylvania Department of Education has granted certification to the College's Pennsylvania campuses and to the academic programs they offer. The College's allied health programs are accredited by national and regional associations. Both full and part-time time students ("**Credit Students**") and part-time, continuing education students ("**Non-Credit Students**") enroll at the College.

The College's main campus in Cumberland, Maryland is situated on 359 acres and operates out of 17 administrative, academic and athletic buildings (excluding the Project). These include a student center that houses a student lounge, dining facilities and a 480-seat theatre and a physical education facility with a large gymnasium and indoor swimming pool.

Governance of the College

The College is governed by a seven member Board of Trustees (the "*Board*"), as appointed by the Governor of the State of Maryland with the advice and consent of the Senate. The members of the Board serve for six-year staggered terms from July 1 of the year the respective appointment is made. A member appointed to fill a vacancy in an unexpired term serves only for the remainder of that term and until a successor is appointed and qualifies. A member may be reappointed. The Board appoints the college president, who also serves as the secretary-treasurer of the Board.

Student Enrollment

The following schedule indicates the fall semester enrollment at the College for Credit Students for each of the last six academic years (late August through mid-May) and Non-Credit Students for each of the last six fiscal years (July 1 through June 30):

<u>Fall</u>	<u>Credit Students</u>	<u>Non-Credit Students</u>
2013	3,215	14,747
2012	3,671	13,269
2011	3,812	13,853
2010	4,069	14,743
2009	4,086	15,113
2008	3,958	13,257

Applications

The following table shows the number of applications to the College for initial enrollment in any class and actual enrollments for the fall semester of each of the last six academic years:

<u>Fall</u>	<u>Applications</u>	<u>1st Year Enrollment</u>	<u>% Enrolled 1st Year</u>
2013	4,491	1,776	39.5%
2012	4,815	2,271	47.2
2011	4,841	2,387	49.3
2010	4,565	2,620	57.4
2009	4,555	2,708	59.5
2008	4,382	2,664	60.8

The decline in enrollment is due chiefly to general economic conditions. See "**CERTAIN BONDHOLDER RISKS – Declining Enrollment**" herein.

Credit Student to Faculty Ratio

The College currently maintains a ratio of Credit Students to faculty of 17:1.

Entrance Requirements

Generally, students are admitted who have graduated from a high school accredited either by its own state department of education or by a regional accrediting association recognized by the U.S. Office of Education, or who have received a high school equivalency certificate or high school equivalency diploma issued by the state. Persons beyond normal high school age who are not high school graduates but who present evidence through testing or other means of ability to benefit from the instruction the College offers are also admitted to college level courses and programs.

Students seeking admission to a degree or certificate program must file an application for admission, furnish official transcripts of all previous high school and college work and take the Allegany College Placement

Assessment (“*Placement Test*”). While neither ACT or SAT scores are generally required for admission to the College, applicants for direct admission to the career fields of Dental Hygiene, Medical Laboratory Technology, Nursing, Occupational Therapy Assistant, Radiologic Technology and Respiratory Therapist must submit their ACT scores prior to being evaluated for admission.

High school students age 16 or older may be permitted to enroll at the College as part-time early placement students by submitting written approval of their high school principal, along with their application, official transcripts and Placement Test results. Such high school students may also enroll as full-time students if they have completed all high school graduation requirements, except fourth-year English.

Student Tuition and Fees

The following table shows the tuition per credit hour for the last six fiscal years. Tuition rates are based upon the student’s county and state of residence. “County” refers to Allegany County.

<u>Fiscal Year</u>	<u>In County</u>	<u>Out-of County</u>	<u>Out-of State Main</u>	<u>Out-of State Somerset</u>	<u>Out-of State Everett</u>
2014	\$107	\$200	\$240	\$240	\$240
2013	105	196	235	235	235
2012	102	190	228	228	228
2011	102	190	228	338	338
2010	99	184	221	221	221
2009	99	182	213	213	213
2008	96	178	208	208	208

[†]Pennsylvania provides a subsidy to students who reside in Pennsylvania and are attending one of the Pennsylvania campuses through funding to the Southern Tier Education Council. Additionally, the Somerset County Campus Foundation provides tuition subsidies to local students attending the Somerset County Campus of the College. The amount of both subsidies vary from year to year depending on funding and number of enrolled students

In addition, the College charges a registration fee of \$35, a student fee of \$3 per semester hour and a technology fee of \$4 per semester hour as well as other fees for first time students, transcripts and program specific requirements.

Academic and Professional Programs

The College offers over 90 associate degrees, certificates and letters of recognition through its day, evening and online classes. Included in this number are 35 associate degree transfer programs and patterns that allow its graduates to continue toward a bachelor’s degree at four-year colleges and universities. The College’s programs and offerings are coordinated in the following seven divisions: Behavioral and Social Sciences; Business and Technologies, Hospitality and Culinary Arts, Humanities, Forestry, Math and Science, Allied Health and Wellness and Education.

The College also hosts a program of professional development and personal enrichment through its continuing education courses and training. These include healthcare and human services, professional development, workforce development and community services.

Athletic Program

The College participates in the Maryland Junior College Athletic Conference currently consisting of 16 community colleges throughout the State of Maryland. The College offers the following intercollegiate teams: men’s and women’s basketball, softball, baseball, golf, men’s soccer and women’s volleyball. Students may also join intramural club teams.

THE COLLEGE NOT LIABLE FOR SERIES 2014 BONDS

THE SERIES 2014 BONDS ARE NOT OBLIGATIONS OF THE COLLEGE, AND THE COLLEGE IS NOT RESPONSIBLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2014 BONDS.

HISTORICAL OCCUPANCY AND COVERAGE RATIOS

Historical average occupancy rates relating to the Project together with the Fixed Charges Coverage Ratio calculated in accordance with the Loan Agreement for each of the fiscal years ending June 30, 2009 through 2013 have been prepared by the Borrower and are presented below.

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Fall Occupancy ¹	100%	100%	100%	100%	97%
Total Revenues	\$1,301,040	\$1,347,997	\$1,387,741	\$1,404,505	\$1,431,275
Operating Expenses	<u>391,208</u>	<u>395,380</u>	<u>451,212</u>	<u>394,062</u>	<u>486,397</u>
Net Operating Income	<u>\$909,832</u>	<u>\$952,617</u>	<u>\$936,529</u>	<u>\$1,010,443</u>	<u>\$944,878</u>
Max Annual Debt Service	591,155	591,155	590,200	590,200	590,200
Fixed Charges Coverage Ratio ²	1.54	1.61	1.59	1.71	1.60

¹Based on the 231 beds available to be leased to Residents.

² Due to differences in calculation assumptions, the Fixed Charges Coverage Ratio, Total Revenues, Operating Expenses and Net Operating Income in the chart above do not match the Fixed Charges Coverage Ratio, Total Revenues, Operating Expenses and Net Operating Income in the Borrower’s audited financial statements. The Fixed Charges Coverage Ratio has been calculated in accordance with the provision of the Loan Agreement (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Financial Covenants” herein).

CASH FLOW FORECAST

A Cash Flow Forecast (the “Cash Flow Forecast”) relating to the Project and its ability to generate revenues from operations sufficient to pay principal and interest on the Series 2014 Bonds and operating expenses for each of the years ending June 30, 2014 through 2018 has been prepared by the Borrower and is presented below.

The Cash Flow Forecast shows the Series 2014 Bonds bearing interest at a yield of approximately 4.98%. The Series 2014 Bonds are structured to produce approximately level annual debt service through their final maturity. Total revenues and operating expenses are based on the Project’s operating budget for fiscal year 2014 with an assumed average academic year occupancy of 99%. Total revenues include earnings on the Debt Service Reserve Fund. In order to satisfy the Debt Service Reserve Requirement for the Series 2014 Bonds, \$546,625 of transferred proceeds of the Series 2000A Bonds will be deposited in the Debt Service Reserve Fund held for the Series 2014 Bonds. Investment earnings on the Debt Service Reserve Fund for Fiscal Years 2014 through 2018 have been calculated at an assumed rate of 1%. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Debt Service Reserve Fund” herein. In addition to the regular estimated costs for operating the Project, the Cash Flow Forecast includes an annual deposit to the Repair and Replacement Fund, which is equal to \$175 per bed in fiscal year 2015. The annual management fee is shown as subordinate to debt service on the Series 2014 Bonds and to deposits to the Repair and Replacement Fund and the Operating Reserve Fund as currently required by the Management Agreement and the Ground Lease. See “THE MANAGEMENT AGREEMENT” and SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Revenue Fund” herein. Income and expense estimates, including the deposit to the Repair and Replacement Fund, are escalated at an assumed rate of 3% per annum.

The achievement of any financial forecast is dependent upon future events, the occurrence of which cannot be assured. Therefore, the actual results achieved may vary from the Cash Flow Forecast. Such variation could be material. See “FORWARD LOOKING STATEMENTS” and “CERTAIN BONDHOLDERS’ RISKS – Actual Results May Differ from Cash Flow Forecast” and – Forward Looking Statements” herein.

Fiscal Year Ending June 30,	2014	2015	2016	2017	2018
Net Rental Revenues	\$1,303,535	\$1,342,641	\$1,382,920	\$1,424,408	\$1,467,140
Other Income	45,985	47,365	48,785	50,249	51,757
Interest Earnings	6,280	6,468	6,662	6,862	7,068
Total Revenues	\$1,355,800	\$1,396,474	\$1,438,368	\$1,481,519	\$1,525,965
Operating Expenses	470,465	484,579	499,116	514,090	529,513
Net Operating Income	\$885,335	\$911,895	\$939,252	\$967,429	\$996,452
Maximum Annual Debt Service	546,625	546,625	546,625	546,625	546,625
Debt Service Coverage	1.62	1.67	1.72	1.77	1.82
Breakeven Occupancy	74.02%	72.79%	71.61%	70.46%	69.34%
Repair and Replacement Reserve Deposit	0 ¹	41,300	42,539	43,815	45,130
Operating Reserve Fund Deposit	0 ¹	3,528	3,634	3,743	3,856
Management Fee	49,885	51,382	52,923	54,511	56,146
Net Cash Flow	\$288,825	\$269,060	\$293,531	\$318,735	\$344,696

¹Deposits for fiscal year 2014 to the Repair and Replacement Fund and the Operating Reserve Fund will be made from moneys on deposit in the funds established under the 2000 Indenture and transferred to the Repair and Replacement Fund and the Operating Reserve Fund on the Closing Date. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

FORWARD LOOKING STATEMENTS

This Official Statement and particularly the information contained under the caption “CASH FLOW FORECAST” herein contain statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995, as amended. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated include (1) the ability of the Borrower or the Manager on behalf of the Borrower to market the Project, (2) the ability of the Project to maintain sufficient occupancy at projected increased rent levels, (3) the ability of the residents of the Project to meet their financial obligations, (4) lower than anticipated revenues, (5) higher than anticipated operating expenses, (6) litigation, (7) changes in governmental regulation, (8) loss of federal tax-exempt status, (9) loss of State property tax exemption, (10) changes in demographic trends, (11) competition from other residential rental and student housing facilities, (12) changes in the student housing industry and (13) general economic conditions. No representation or assurance can be made that revenues will be generated from the operation of the Project in amounts sufficient to pay maturing principal and interest on the Bonds. Prospective purchasers of the Series 2014 Bonds should not place undue reliance on those forward looking statements and should review the factors described under the heading “CERTAIN BONDHOLDERS’ RISKS” herein for a discussion of certain risk factors that should be considered in connection with an investment in the Series 2014 Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS OF THE SERIES 2014 BONDS

The following table sets forth for each twelve-month period ending June 30 (i) the principal due on the Series 2014 Bonds (whether at maturity or by mandatory sinking fund redemption), (ii) the interest due on the Series 2014 Bonds and (iii) the total debt service requirements of the Series 2014 Bonds.

Series 2014 Bonds

<u>Twelve-Month Period ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			

CERTAIN BONDHOLDERS' RISKS

General

AN INVESTMENT IN THE SERIES 2014 BONDS INVOLVES SUBSTANTIAL RISKS, AND EACH INVESTOR SHOULD CONSIDER THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE SERIES 2014 BONDS. The tax-exempt feature of the Series 2014 Bonds is relatively more valuable to high tax bracket investors than to investors who are in the lower tax brackets, and so the value of the interest compensation to any particular investor will vary with such investor's marginal tax rate. Each prospective investor should, therefore, determine such investor's present and anticipated marginal tax rate before investing in the Series 2014 Bonds. Each prospective investor should also carefully examine this Official Statement and such investor's own financial condition (including the diversification of such investor's investment portfolio) in order to make a judgment as to whether the Series 2014 Bonds are an appropriate investment.

Summarized below is a number of "Bondholders' Risks" that could adversely affect the operation of the Project and/or the Series 2014 Bonds that should be considered by prospective investors. The following discussion is not intended to be exhaustive, but includes certain major factors that should be considered.

If the Borrower is unable to generate sufficient revenues from the operation of the Project to pay its operating expenses and principal of and interest on the Series 2014 Bonds, an Event of Default will occur under the Bond Documents. Upon an Event of Default, the Series 2014 Bonds may be paid before maturity or applicable redemption dates and a forfeiture of redemption premiums or a loss of principal may result. The Borrower's ability to generate revenues and the overall financial condition of the Project may be adversely affected by a wide variety of future events and conditions including, without limitation, (i) a decline in the enrollment of the College, (ii) increased competition from other schools, (iii) loss by the College of accreditation, and (iv) failure by the College to meet applicable federal guidelines or some other event that results in students being ineligible for federal financial aid.

Limited Obligations of the Issuer

The Series 2014 Bonds constitute limited obligations of the Issuer and have three potential sources of payment. The sources of payment are as follows:

- (1) Payments received by the Trustee from the Borrower pursuant to the terms of the Indenture.

The Borrower has no obligation to pay the Series 2014 Bonds or to pay operating expenses of the Project except from the Trust Estate, including Basic Loan Payments derived from the Loan Agreement. The Series 2014 Bonds and the interest thereon constitute limited obligations of the Issuer and are payable solely from the Security and from other assets pledged under the Indenture and the Leasehold Deed of Trust as security for the payment thereof. The Series 2014 Bonds and the interest thereon do not constitute a debt, liability or pledge of the full faith and credit of the Issuer, the State of Maryland or any governmental unit. The issuance of the Bonds is not directly, indirectly or contingently a moral or other obligation of the State of Maryland or any governmental unit to levy or pledge any tax or to make an appropriation to pay the Bonds or the interest thereon. The Issuer has no taxing power.

Under the Loan Agreement, the Borrower will be required to make Basic Loan Payments (an interest in which the Trustee has received by assignment from the Issuer) to the Trustee in amounts sufficient to enable the Trustee to pay the principal of, premium, if any, and interest on the Series 2014 Bonds. The Basic Loan Payments are anticipated, however, to be derived solely from the operation of the Project. Furthermore, the Borrower's ability to meet its obligations under the Loan Agreement will depend upon achieving and maintaining certain occupancy levels at the Project throughout the term of the Series 2014 Bonds. However, no assurance can be made that the Borrower will generate sufficient revenues from the Project to pay maturing principal of, premium, if any, and interest on the Series 2014 Bonds and the payment of operating expenses of the Project.

- (2) Revenues received from operation of the Project by a receiver upon a default under the Indenture.

It has been the experience of lenders in recent years that attempts to have a receiver appointed to take charge of properties with respect to which loans have been made are frequently met with defensive measures such as the initiation of protracted litigation and bankruptcy proceedings. Such defensive measures can prevent the appointment of a receiver or greatly increase the expense and time involved in having a receiver appointed. See **“CERTAIN BONDHOLDERS’ RISKS – Enforceability of Remedies”** herein. Accordingly, prospects for uninterrupted payment of principal and interest on the Series 2014 Bonds in accordance with their terms are largely dependent upon payments from the Borrower described in the preceding paragraph, generated by the Project, from which the Issuer will make the payments on the Bonds, and such payments are wholly dependent upon the success of the Borrower in the operation of the Project.

- (3) Proceeds realized from the sale or lease of the Borrower’s leasehold interest in the Project to a third party by the Trustee at or following foreclosure by the Trustee of the Leasehold Deed of Trust and proceeds realized from the liquidation of other security for the Series 2014 Bonds.

Debtors frequently employ defensive measures, such as protracted litigation and bankruptcy proceedings, in response to lenders’ efforts to foreclose on real property or otherwise to realize upon collateral to satisfy indebtedness that is in default. Such defensive measures can prevent, or greatly increase the expense and time involved in achieving, such foreclosure or other realization. In addition, the Trustee could experience difficulty in selling or leasing the real and personal property portion of the Project upon foreclosure due to the special purpose nature of student housing facilities and due to the fact that the Borrower owns only a leasehold interest in the Premises, and the proceeds of such sale may not be sufficient to pay fully the owners of the Series 2014 Bonds. See **“CERTAIN BONDHOLDERS’ RISKS – Liquidation of Security may not be Sufficient in the Event of a Default,” – Ground Lease Provisions” and – Special Use Nature of Project”** herein. As described in paragraph (1) above, prospects for uninterrupted payment of principal and interest on the Series 2014 Bonds in accordance with their terms are largely dependent upon payments from the Borrower described in paragraph (1) above and these payments are wholly dependent upon the success of the Borrower in the operation of the Project. Even if the Project is operating in an efficient manner, other factors could affect the Borrower’s ability to make payments under the Indenture and the Series 2014 Bonds.

Bankruptcy of Other Ventures of the Borrower Could Impact Payments on the Series 2014 Bonds

Subject to the terms of the Loan Agreement, the Borrower may become engaged in other ventures in the future. If losses are experienced in such other future ventures, the Borrower might default in making payments under the Loan Agreement, regardless of the successful operation of the Project. The filing by, or against, the Borrower for

relief under the Bankruptcy Code in connection with any other venture may have an adverse effect on the ability of the Trustee and the Bondholders to enforce their claim or claims to the security granted by the Indenture, the Loan Agreement and the Leasehold Deed of Trust, and their claim or claims to moneys owed them as unsecured claimants, if any. Such a filing would generally operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Borrower and its property and as an automatic stay of any act or proceeding to enforce a lien against such property, which may include the Project even though the Project is not pledged to secure any other indebtedness. Furthermore, once a bankruptcy court has acquired jurisdiction over the Borrower in connection with the Project or any other project or venture, such court would likely have the ability to exercise its jurisdiction generally in respect of the Borrower and its assets, including the Project, and any other project.

Neither the State nor the Foundation nor the College Responsible for Payment

Neither the State nor the Foundation nor the College is responsible for the payment of the principal or Redemption Price of and interest on the Series 2014 Bonds.

No Appraisal

No appraisal of the Premises has been prepared in connection with the issuance of the Series 2014 Bonds.

Liquidation of Security may not be Sufficient in the Event of a Default

The Project is specifically designed as a student housing facility and may not be suitable for other uses. Furthermore, the Project is located on land adjacent to the College, which land is owned by the College, leased to the Borrower and must be operated as a student housing facility to maintain the tax-exempt status of the Series 2014 Bonds. The number of entities that could be expected to purchase or lease the Borrower's leasehold interest in the Project is therefore limited, and thus the ability of the Trustee to realize funds from the sale or lease of such leasehold interest upon an event of default may be limited. Such value may be also limited by actual or alleged rights of residents. Any foreclosure proceeding may be subject to substantial delays. The ability of the Trustee to receive funds sufficient to pay the Series 2014 Bonds from any sale or foreclosure of the Borrower's interest in the Project may be limited by a number of factors, including the fact that the Borrower owns only a leasehold interest in the Premises, the limited operational use of the Project as a student housing facility and the fact that the interest on the Series 2014 Bonds may become subject to federal income taxation if the Project is not operated by an organization described in Section 501(c)(3) of the Code as a student housing facility.

Special Use Nature of Project

The Project was constructed to serve as a student housing facility and is located adjacent to the College. See "THE PROJECT" herein. If it were necessary to sell the Borrower's interest in the Project pursuant to the Leasehold Deed of Trust upon an Event of Default, this special use nature and construction of the Project and the fact that the interest to be sold is in the nature of a leasehold interest and subject to the terms of the Ground Lease may curtail the purchase price that could be obtained, and the net proceeds received may be less than the principal amount of Series 2014 Bonds Outstanding. Payment of the Series 2014 Bonds will be, for all practical purposes, almost solely dependent upon the successful operation of the Project.

Ground Lease Provisions

Although the Project has been constructed as a student housing facility, and although the Borrower has agreed to operate the Project as a student housing facility and market and rent the Project only to Residents (as defined in the Ground Lease to be any persons who are students in good standing enrolled at the College and faculty and staff members of the College and who are qualified and approved pursuant to the College's and the Project's policies and procedures), the Ground Lease contains provisions that would permit a person that succeeds to all or a part of the leasehold estate created by the Ground Lease, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, or otherwise, or, in certain circumstances, the College or a leasehold mortgagee, to market and rent the Project to persons other than Residents or to use the Project as other than a student housing facility, provided such person, the College, or such leasehold mortgagee, respectively, delivers an opinion of Bond Counsel to the Trustee that any such change in ownership or use will not affect the tax-exempt status of the interest on the Series 2014 Bonds. There can no assurance that such an opinion of Bond Counsel can be obtained or that any alternative use for the Project will be sufficient to pay the principal of and interest on the Series 2014 Bonds. Furthermore, any such change in use may be delayed or limited by actual or alleged rights of residents of the Project.

Competitive Environment

The Project is subject to competition from other residential rental and student housing facilities and there can be no assurance that additional student housing facilities will not be built in the vicinity of the College. The occupancy rates for the Project and the Borrower's ability to generate sufficient income to meet its obligations in connection with the Series 2014 Bonds and the Project may be adversely affected by any other student housing.

Declining Enrollment

The Borrower's ability to maintain sufficient occupancy levels at the Project depends, to a large extent, on the College's ability to maintain sufficient student enrollment. Over the last few years, enrollment has declined due chiefly to general economic conditions. Enrollment can also be affected by a number of other factors including, without limitation, (i) increased competition from other schools, (ii) changes in the demand for higher education in general or for programs offered by the College in particular, (iii) loss of accreditation of the College's programs, (iv) failure of the College to meet applicable federal guidelines or some other event that results in students of the College being ineligible for federal financial aid, and (v) state and local budget cuts. See "**THE COLLEGE – Student Enrollment**" herein.

The Borrower's ability to generate revenues and its overall financial condition may be adversely affected by a wide variety of future events and conditions including a decline in the enrollment of the College. The Ground Lease requires that the Project be used solely for the operation of a housing facility to serve persons who are students in good standing enrolled at the College and faculty and staff members of the College and who are qualified and approved pursuant to the College's and Project's policies and procedures. There can be no assurance that there will be sufficient demand or enrollment at the College for the Borrower to maintain sufficient occupancy levels in the Project.

Required Occupancy Levels and Rent and Expense Levels

In order for the Borrower to generate sufficient revenues to enable it to make payments at the times required under the Loan Agreement and to pay operating expenses related to the Project, the Project must meet certain occupancy levels and achieve certain rent and expense levels that are assumed in the Cash Flow Forecast. There can be no assurance, however, that the Project will be able to meet and maintain such required occupancy and rent and expense levels. There can be no assurance units in the Project will be continuously leased.

Insurance and Legal Proceedings

The Borrower is required by the Ground Lease, the Loan Agreement and the Leasehold Deed of Trust to carry property and general liability insurance in amounts consistent with industry practice. However, there can be no assurance that the required coverages will be available at affordable rates or that any current or future claims will be covered by or will not exceed applicable insurance coverage. A claim against the Borrower not covered by, or in excess of, the Borrower's insurance could have a material adverse effect upon the Project.

Governmental Regulation

The housing industry is significantly regulated by the federal and local government. Regulations and conditions affecting the acquisition, development and ownership of residential real estate, including local zoning and land use issues, environmental regulations, the Americans with Disabilities Act, the Fair Housing Amendments Act of 1988 and general conditions in the multi-family residential real estate market, could increase the operating expenses of the Project or could otherwise have a material adverse effect on the financial condition of the Project or the results of its operations.

Clean-up Costs and Liens under Environmental Statutes

In anticipation of the issuance of the Series 2014 Bonds, an environmental assessment (the "Site Assessment") of the Premises was conducted by Triad Engineering, Inc. (the "Environmental Engineer"). The Environmental Engineer identified no recognized environmental concerns and recommended that no further actions with respect to the Premises be taken.

Prospective purchasers of the Series 2014 Bonds may not rely upon the findings contained in the Site Assessment.

Neither the Borrower nor the College is aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants at the Premises. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were

initiated, the Borrower could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the Land. In addition, under applicable environmental statutes, in the event an enforcement action were initiated, a lien superior to the Trustee's lien on behalf of the Bondholders could attach to the Project, which would adversely affect the Trustee's ability to realize value from the disposition of the Borrower's leasehold interest in the Project upon foreclosure of the Leasehold Deed of Trust. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Project under the Indenture or the Leasehold Deed of Trust, the Trustee and the Bondholders would need to take into account the potential liability of any tenant of the Project, including a tenant by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

Certain Interests and Claims of Others

Certain interests and claims of others may be on a parity with or prior to the pledge, assignment, and grant of a security interest made in the Indenture, the Loan Agreement, the Leasehold Deed of Trust and the Security Agreement, and certain statutes and other provisions may limit the Issuer's right to make such pledges, assignments, and grants of security interests. Examples of such claims, interests, and provisions include, but are not limited to:

- (1) statutory liens,
- (2) constructive trusts, equitable liens, or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction,
- (3) federal bankruptcy laws as they affect amounts earned with respect to the Project after any effectual institution of bankruptcy proceedings by or against the Borrower,
- (4) as to those items in which a security interest can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the Trustee,
- (5) items not in the possession of the Trustee, the records to which are located or moved outside the State of Maryland, that are thereby not subject to or are removed from the operation of Maryland law, and
- (6) the requirement that appropriate continuation statements be filed in accordance with the Maryland Uniform Commercial Code as from time to time in effect.

Enforceability of Remedies

The practical realization of value upon any Event of Default under any of the Bond Documents will depend upon the exercise of various remedies specified therein. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Under existing law (including, particularly, federal bankruptcy law), the remedies specified by the Bond Documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Bond Documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies, including judicial discretion in the application of the principles of equity, and by bankruptcy, reorganization, or other laws affecting the enforcement of creditors' rights generally.

Effect of Determination of Taxability

The Borrower will covenant not to take any action that would cause the Series 2014 Bonds to be arbitrage bonds or that would otherwise adversely affect the federal income tax status of interest on the Series 2014 Bonds. The Borrower has also made representations with respect to certain matters within its knowledge that have been relied on by Bond Counsel and that Bond Counsel has not independently verified. Failure to comply with such covenants or the inaccuracy of such representations could cause interest on the Series 2014 Bonds to become subject to federal income taxation retroactively from their date of issuance.

It is possible that a period of time may elapse between the occurrence of the event that causes interest to become taxable and the determination that such an event has occurred. In such a case, interest previously paid on the Series 2014 Bonds could become retroactively taxable from the date of their issuance. In addition, certain owners of Series 2014 Bonds are subject to possible adverse tax consequences. **There is no provision for acceleration of the indebtedness evidenced by the Series 2014 Bonds or for payment of additional interest if interest on the Series 2014 Bonds becomes included in gross income for federal income tax purposes.** See "TAX EXEMPTION" herein.

Market for the Series 2014 Bonds

There can be no assurance that a secondary market for the Series 2014 Bonds will exist, or that the Series 2014 Bonds can be sold for any particular price. Accordingly, a purchaser of the Series 2014 Bonds should recognize that an investment in the Series 2014 Bonds may be illiquid and be prepared to have such investor's funds committed until the Series 2014 Bonds mature or are redeemed.

Actual Results May Differ from Cash Flow Forecast

The Cash Flow Forecast is based upon assumptions concerning future events, circumstances and transactions as they relate to the Project. In addition, the Cash Flow Forecast only covers the approximate 5-year period ending June 30, 2018 and consequently does not cover the entire period during which the Series 2014 Bonds may be Outstanding. The achievement of any cash flow forecast or other forecast is dependent upon future events, the occurrence of which cannot be assured. Realization of the results forecasted will depend, among other things, on the implementation by or on behalf of the Borrower of policies and procedures consistent with the assumptions. Future results will also be affected by events and circumstances beyond the control of the Borrower. For the reasons described above, it is likely that the actual results of the Project will be different from the results forecast in the Cash Flow Forecast included herein, and those differences may be material and adverse.

Forward Looking Statements

This Official Statement contains certain "forward-looking statements" concerning the operations and financial condition of the Project. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward-looking statements. *The achievement of certain results or other expectations contained in such forward-looking statements involve 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 that may be expressed or implied by such forward-looking statements. The Issuer does not plan to issue any updates or revisions to those forward-looking statements if or when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur.*

Uncertainty of Investment Income

The investment earnings of and accumulations in certain funds and accounts established by the Indenture have been estimated and are based on assumed earnings' rates. While these assumptions are believed to be reasonable in view of the rates of return currently available, there is no assurance that similar interest rates will be available on such investments in the future, nor is there any assurance that the potential accumulations assumed will be realized.

Additional Bonds

The Issuer has the right to issue Additional Bonds under the Indenture that will be equally and ratably secured on a parity basis with the Series 2014 Bonds and any other Additional Bonds. See "**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Authorization of Additional Bonds**" and **SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Additional Bonds**" in Appendix B hereto. ***SUCH ADDITIONAL BONDS COULD DILUTE THE SECURITY FOR THE SERIES 2014 BONDS.***

Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. Certain types of transactions are being targeted for audit, including financings of student housing facilities.

No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Series 2014 Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedures. Neither the Underwriter nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. Neither the Issuer nor the Borrower nor Bond Counsel is responsible to pay or reimburse the cost of any Bondholders with respect to any audit or litigation relating to the Bonds.

Taxation of Series 2014 Bonds

An opinion of Bond Counsel has been obtained as described under “**TAX EXEMPTION**” herein. The opinion of Bond Counsel contains certain exceptions and is based on certain assumptions described herein under the heading “**TAX EXEMPTION**.” Failure by the Borrower to comply with certain provisions of the Code and covenants contained in the Indenture could result in interest on the Series 2014 Bonds becoming includable in gross income for federal income tax purposes, retroactive to their date of issuance.

An opinion of Bond Counsel has been obtained regarding the exemption of interest on the Series 2014 Bonds from certain taxation by the State of Maryland, as described under “**TAX EXEMPTION**” herein. Bond Counsel has not opined as to whether interest on the Series 2014 Bonds is subject to state or local income taxation in jurisdictions other than Maryland. Interest on the Series 2014 Bonds may or may not be subject to state or local income taxation in jurisdictions other than Maryland under applicable state or local laws. Each purchaser of the Series 2014 Bonds should consult such purchaser’s own tax advisor regarding the taxable status of the Series 2014 Bonds in a particular state or local jurisdiction.

LITIGATION

The Issuer

There is currently no litigation of any nature to which the Issuer is a party pending or, to the knowledge of the Issuer, threatened against it to restrain or enjoin the issuance, sale, execution or delivery of the Series 2014 Bonds or in any way contesting or affecting the validity of the Series 2014 Bonds or any proceedings taken with respect to the issuance or sale thereof, or in any way contesting or affecting the validity of or application of any moneys or the security provided for the Series 2014 Bonds.

The Borrower, the College and the Foundation

There is no action, suit, proceeding, inquiry or investigation at law or in equity or before any court, public board or body pending or, to the knowledge of the Borrower, the College or the Foundation, threatened (or any meritorious basis for such an action, suit, proceeding, inquiry or investigation) at the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the Series 2014 Bonds or any proceedings of the Foundation, the Borrower or the College taken with respect thereto, or wherein an unfavorable decision, ruling or finding (i) would adversely affect the transactions contemplated by this Official Statement or the validity or enforceability of the Series 2014 Bonds, the Indenture, the Loan Agreement or any other agreement or instrument which is used or contemplated for use in the consummation of the transactions contemplated by this Official Statement or (ii) would materially adversely affect the financial condition or operations of the Project. There is no litigation now pending or threatened against the Borrower, of which the Borrower has knowledge, which in any manner questions the right of the Borrower to enter into or perform its obligations under the Loan Agreement, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Management Agreement or the Tax Agreement.

TAX EXEMPTION

Federal Law

In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the Series 2014 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2014 Bonds, assuming the accuracy of the certifications of the Issuer, the Borrower and the Foundation and continuing compliance by the Issuer, the Borrower and the Foundation with the requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”). Interest on the Series 2014 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Series 2014 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding other federal tax consequences of ownership or disposition of or the accrual or receipt of interest on the Series 2014 Bonds.

The Series 2014 Bonds maturing in the years [] are offered at a discount (“**original issue discount**”) equal generally to the difference between the public offering price and the principal amount. For federal income tax purposes, original issue discount on a Series 2014 Bond accrues periodically over the term of the Series 2014 Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The

accrual of original issue discount increases the holder's tax basis in the Series 2014 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.

The Series 2014 Bonds maturing in the year [_____] are offered at a premium (“**original issue premium**”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2014 Bond through reductions in the holder's tax basis for the Series 2014 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

State of Maryland Law

By the terms of the Act, the Series 2014 Bonds, including the interest on the Series 2014 Bonds, are forever exempt from all Maryland state and local taxes.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2014 Bonds or otherwise prevent holders of the Series 2014 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2014 Bonds. Further, such proposals may impact the marketability or market value of the Series 2014 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2014 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2014 Bonds would be impacted thereby.

Purchasers of the Series 2014 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2014 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The proposed form of Bond Counsel's approving opinion is attached hereto as Appendix C.

UNDERWRITING

RBC Capital Markets, LLC (the “**Underwriter**”) will enter into a Bond Purchase Agreement with the Issuer and the Borrower, to purchase the Series 2014 Bonds at a purchase price of \$ _____ (representing the principal amount of the Series 2014 Bonds less an Underwriter's discount of \$ _____ and less original issue discount of \$ _____ plus original issue premium of \$ _____). The Underwriter is obligated to purchase all of the Series 2014 Bonds if any are purchased. The obligation of the Underwriter to purchase the Series 2014 Bonds will be subject to various conditions contained in the Bond Purchase Agreement including the receipt of a rating on the Series 2014 Bonds of at least BBB- from Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. (“**S&P**”).

The Underwriter is purchasing the Series 2014 Bonds and intends to offer the Series 2014 Bonds to the original purchasers thereof at the offering prices set forth on the cover page of this Official Statement, which offering prices may subsequently be changed without any requirement of prior notice. The Underwriter has reserved the right to permit other securities dealers who are members of the Financial Industry Regulatory Authority to assist in selling the Series 2014 Bonds. The Underwriter may offer and sell Series 2014 Bonds to certain dealers at prices lower than the public offering price or otherwise allow concessions to such dealers who may re-allow concessions to other dealers. Any discounts and/or commissions that may be received by such dealers in connection with the sale of the Series 2014 Bonds will be deducted from the Underwriter's discount.

The Borrower has agreed to indemnify the Underwriter (solely from the Trust Estate) against certain civil liabilities, including certain liabilities under federal securities laws. Under existing statutes, regulations, and court decisions, the enforceability of such an agreement to indemnify is uncertain.

RATING

The Series 2014 Bonds have been assigned a rating of BBB- by S&P. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and neither the Issuer nor the Borrower nor the College nor the Foundation nor the Underwriter makes any representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2014 Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements for the Project included in Appendix A to this Official Statement have been audited by Turnbull, Hoover & Kahl, P.A., Cumberland, Maryland, independent certified public accountants, to the extent and for the periods indicated in their report thereon.

RELATIONSHIP OF PARTIES

In the ordinary course of business, the Underwriter, its parent company and certain of their affiliates may from time to time provide other investment banking services, commercial banking services or financial products to the Issuer and the College.

LEGAL MATTERS

Certain legal matters pertaining to the Issuer and its authorization and issuance of the Series 2014 Bonds are subject to the approving opinion of Ballard Spahr LLP, Baltimore, Maryland, the form of which is included as Appendix C hereto. Certain legal matters will be passed on for the Borrower by its counsel, McGuireWoods, LLP, for the College by its counsel, Geppert, McMullen, Paye & Getty, P.C., Cumberland, Maryland, and for the Foundation by its counsel, Fike, Cascio & Boose, Somerset, Pennsylvania. Certain legal matters will be passed on for the Underwriter by its counsel, Miles & Stockbridge P.C.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Series 2014 Bonds, and the Issuer will not provide any such information. The Borrower has undertaken all responsibilities for any continuing disclosure required by the Rule (as described below) with respect to the Project to Bondholders as described below, and the Issuer shall have no liability to Bondholders or any other person with respect to such disclosure.

Pursuant to the Continuing Disclosure Agreement entered into in connection with the 2000 Bonds (the “*2000 CDA*”), the Borrower agreed to provide, or cause Manufacturers and Traders Trust Company, the Trustee for the 2000 Bonds and the Dissemination Agent under the 2000 CDA (the “*2000 Dissemination Agent*”), to provide, not later than the first day of the sixth month after the end of the Borrower’s fiscal year, the Annual Report (as defined in the 2000 CDA) to each Repository (as defined in the 2000 CDA). The Annual Report was to contain Borrower’s audited financial statements and a cash flow statement relating to the Project in the same format as the format of the Cash Flow Forecast set forth in the Official Statement for the 2000 Bonds. The Borrower further agreed to provide the 2000 Dissemination Agent with the Annual Report 15 business days before the date to be provided to the Repositories. The 2000 Dissemination Agent agreed to contact the Borrower in the event it did not receive the Annual Report. If the 2000 Dissemination Agent was unable to verify that the Annual Report had been provided to the Repositories, it agreed to send a notice to each Repository that the Borrower had not provided the Annual Report. In addition, the 2000 Dissemination Agent agreed, if and to the extent the Borrower provided the Annual Report to the 2000 Dissemination Agent, to file a report with the Borrower certifying that the Annual Report was provided pursuant to the 2000 CDA, stating the date it was provided and listing all the Repositories to which it was provided.

Since the 2000 Bonds were issued, the Borrower has provided only its annual audited financial statements (and not the cash flow statement) to the 2000 Dissemination Agent to be provided to the Repositories. Until September 24, 2013, the 2000 Dissemination Agent failed to file with the Repositories the Borrower’s audited financial statements as provided by the Borrower. On that date, the 2000 Dissemination Agent filed the Borrower’s audited financial statements for the five fiscal years ended on June 30, 2012 with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (EMMA). In addition, the 2000 Dissemination Agent did not

provide any of the notices to Repositories or contact or file any of the reports with the Borrower as required by the 2000 CDA and as described above.

As of December 20, 2013, the Borrower made supplemental filings on EMMA to provide all such material omitted information and, along with the 2000 Dissemination Agent, has implemented procedures to prevent further omissions and failures to make the appropriate filings and to furnish appropriate notices and reports.

The Borrower will undertake in a Continuing Disclosure Agreement (the “*Continuing Disclosure Agreement*”) among the Borrower, Manufacturers and Traders Trust Company, as Trustee, and Manufacturers and Traders Trust Company, as dissemination agent, to comply with the provisions of Rule 15c2-12 (the “*Rule*”), promulgated by the Securities and Exchange Commission (the “*SEC*”), by providing certain annual and quarterly (unaudited) financial information and operating data with respect to the Project and event notices required by the Rule. Such information is to be filed with the Municipal Securities Rulemaking Board (the “*MSRB*”) through the Electronic Municipal Market Access System (EMMA). Such undertaking requires the Borrower to provide only limited information at specified times. See “**PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT**” in Appendix D hereto.

Investors and other interested parties may contact the MSRB for additional information concerning its services.

In the event of any failure of the Borrower to provide the required continuing disclosure with respect to the Project, any Bondholder may bring an action seeking specific performance of the Issuer’s obligations to provide continuing disclosure. No assurance can be given as to the outcome of any such proceeding.

Failure by the Borrower to comply with the continuing disclosure obligations in the Continuing Disclosure Agreement will not be an “Event of Default” under the Indenture, the Loan Agreement or the Leasehold Deed of Trust, and the sole and exclusive remedy for such failure shall be an action brought by or on behalf of the holders of the Series 2014 Bonds to compel specific performance of the Borrower’s continuing disclosure obligations, as described above.

The proposed form of Continuing Disclosure Agreement is attached hereto as Appendix D.

MISCELLANEOUS

At closing of the sale of the Series 2014 Bonds to the Underwriter, each of the Issuer and the Borrower will deliver to the Underwriter a certificate that no litigation is pending or to its knowledge, threatened against it which would have a material effect on the issuance of the Series 2014 Bonds or performance under the Bond Documents. In addition, the Borrower will represent to the Underwriter in the Bond Purchase Agreement that the information contained in this Official Statement relating to itself and the Project does not contain any misrepresentation of a material fact and does not omit to state any material fact necessary to make the statements herein contained, in light of the circumstances under which they were made, not misleading.

The Borrower has furnished only the information contained in this Official Statement relating to itself and the information relating to the Project. The Issuer has furnished only the information in this Official Statement relating to itself under the headings “**THE ISSUER**” and “**LITIGATION.**” The College has furnished the information contained in this Official Statement relating to itself and the Management Agreement. The Underwriter has furnished the information contained in this Official Statement under the heading “**UNDERWRITING**” and has furnished the information with respect to the public offering prices of the Series 2014 Bonds contained on the cover page of this Official Statement.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2014 Bonds.

The Borrower has duly authorized the use and delivery of this Official Statement in connection with the offering of the Series 2014 Bonds.

ALLEGANY COLLEGE HOUSING, LLC

By: Somerset County Campus Foundation for
Allegany College of Maryland

By: _____
Michele R. Beener
Chair

APPENDIX A

**ANNUAL AUDITED FINANCIAL STATEMENTS OF THE PROJECT
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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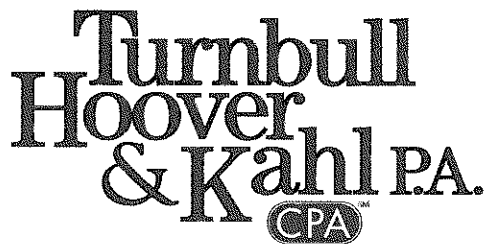
**ALLEGANY COLLEGE HOUSING, LLC
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

*Turnbull, Hoover & Kahl, P.A.
Certified Public Accountants*

Allegany College Housing, LLC
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David W. Turnbull, CPA
Richard J. Hoover, CPA
Bernard B. Kahl, CPA



217 Glenn Street, Suite 200
Cumberland, Maryland 21502
Phone: 301.759.3270
www.thkcpas.com

To the Members of
Allegany College Housing, LLC

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Allegany College Housing, LLC (the "Company") which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of income and member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allegany College Housing, LLC as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Turnbull, Hoover & Kahl, P.A.

Cumberland, Maryland
September 30, 2013

ALLEGANY COLLEGE HOUSING, LLC
BALANCE SHEETS
JUNE 30, 2013 AND 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Unrestricted Cash and Cash Equivalents	\$ 26,910	\$ 82,695
Accounts Receivable	27,525	16,933
Prepaid Expenses	8,245	8,330
Restricted Cash	183,593	179,282
	<u>246,273</u>	<u>287,240</u>
<u>OTHER ASSETS</u>		
Restricted Cash, noncurrent	2,702,571	2,429,777
Investment in Rental Property	4,424,188	4,581,342
Prepaid Bond Insurance, net of accumulated amortization of \$170,489 and \$157,028	257,972	271,434
Prepaid Underwriter Costs, net of accumulated amortization of \$48,147 and \$44,371	72,378	76,154
	<u>7,457,109</u>	<u>7,358,707</u>
<i>Total Other Assets</i>	<u>7,457,109</u>	<u>7,358,707</u>
<i>Total Assets</i>	<u>\$ 7,703,382</u>	<u>\$ 7,645,947</u>
<u>LIABILITIES AND MEMBER'S EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 16,633	\$ 14,298
Prepaid Rents and Security Deposits	29,994	59,965
Accrued Interest Payable	137,018	141,025
Bonds Payable, Taxable Series 2000A, current portion	160,000	150,000
	<u>343,645</u>	<u>365,288</u>
<i>Total Current Liabilities</i>	<u>343,645</u>	<u>365,288</u>
<u>LONG-TERM LIABILITIES</u>		
Bonds Payable, Tax Exempt Series 2000A, net of discount of \$45,720 and \$41,055, net of current portion	6,662,270	6,837,606
	<u>6,662,270</u>	<u>6,837,606</u>
<i>Total Long-Term Liabilities</i>	<u>6,662,270</u>	<u>6,837,606</u>
<i>Total Liabilities</i>	<u>7,005,915</u>	<u>7,202,894</u>
<u>MEMBER'S EQUITY</u>	<u>697,467</u>	<u>443,053</u>
<i>Total Liabilities and Member's Equity</i>	<u>\$ 7,703,382</u>	<u>\$ 7,645,947</u>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

ALLEGANY COLLEGE HOUSING, LLC
STATEMENTS OF INCOME AND MEMBER'S EQUITY
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<u>Revenue</u>		
Housing Contract Fees	1,305,062	1,283,044
Interest Income	10,730	10,698
Recovery of Bad Debt	16,015	10,491
Other Revenue	64,468	65,272
In-kind Donation for Services	309,193	329,124
In-kind Donation for Nonservices	30,117	65,642
	<hr/>	<hr/>
Total Revenue	1,735,585	1,764,271
<u>Expenses</u>		
Personnel Costs	73,076	73,669
Donated Payroll	309,193	329,124
Advertising and Promotion	1,960	964
Repairs and Maintenance	116,606	49,117
Donated Repairs and Maintenance	30,117	65,642
Grounds and Landscaping	15,655	6,000
Common Area	16,839	17,490
Utilities	103,598	91,846
Insurance and Taxes	55,698	54,102
Administration	29,307	38,833
Professional Fees	32,130	21,723
Management Fees	48,432	50,833
Bad Debt Expense	55,323	52,749
Interest Expense	436,081	505,079
Depreciation	157,156	157,156
	<hr/>	<hr/>
Total Expenses	1,481,171	1,514,327
Net Income	254,414	249,944
Member's Equity, Beginning of Year, As Restated	443,053	193,109
	<hr/>	<hr/>
Member's Equity, End of Year	\$ 697,467	\$ 443,053
	<hr/>	<hr/>

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement

ALLEGANY COLLEGE HOUSING, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<u>Cash flows from operating activities:</u>		
Net Income	254,414	249,944
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>		
Depreciation	157,156	157,156
Amortization	21,900	80,471
Bad Debt Expense	55,323	52,749
Changes in operating assets and liabilities:		
(Increase) Decrease in Restricted Cash for Operations	(219,248)	(261,802)
(Increase) Decrease in Accounts Receivable and Other Assets	(65,830)	(62,374)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,672)	(487)
Increase (Decrease) in Prepaid Rents and Security Deposits	(29,971)	7,294
	172,072	222,951
<u>Cash flows from financing activities:</u>		
Debt Reduction	(170,000)	(160,000)
(Increase) Decrease in Restricted Cash for Debt Reduction	(57,857)	(54,561)
	(227,857)	(214,561)
<i>Increase (Decrease) in Cash</i>	(55,785)	8,390
<i>Cash and Cash Equivalents, Beginning of Year</i>	82,695	74,305
<i>Cash and Cash Equivalents, End of Year</i>	\$ 26,910	\$ 82,695

Allegany College Housing, LLC
Notes to Financial Statements

Note 1. REPORTING ENTITY

Allegany College Housing, LLC (the "Company") was organized effective August 28, 2000 as a Maryland nonprofit limited liability company for the purpose of acquiring, developing, and holding a student housing property located on the campus of Allegany College of Maryland in Cumberland, Maryland (the "Rental Property"). The limited liability company agreement provides that the Company's term will be perpetual in duration unless terminated pursuant to the Maryland Limited Liability Company Act or as defined in the agreement.

The Company is wholly owned by Somerset County Campus Foundation for Allegany College of Maryland (the "Member"), a Pennsylvania nonprofit corporation formed in 1992 under the laws of the Commonwealth of Pennsylvania. The Member is also an organization which is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments, including money market accounts, with an original maturity date of three months or less when purchased to be cash equivalents.

Restricted Cash

The Company has entered into a Trust Indenture Agreement where the Trustee is authorized to invest funds to maintain required reserves for debt service payments, repair and replacement at the Rental Property, and working capital to be used in operating the Rental Property.

Additionally, the property management agreement requires security deposits to be maintained in a separate account in compliance with the law governing higher education student housing in the State of Maryland.

Accounts Receivable

Accounts receivable is stated at the gross amount the Company expects to collect on balances outstanding at year-end less an allowance for doubtful accounts in the amount of \$59,266. Management closely monitors outstanding balances and, as of year-end, estimates collections based on historical collections received in the subsequent twelve months for the preceding three fiscal years.

Allegany College Housing, LLC
Notes to Financial Statements

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Financing Costs

Deferred financing costs consist of amounts incurred in connection with the issuance of the bonds payable including the underwriter's discount and prepaid bond insurance. The costs are amortized over the life of the bonds using the straight-line method and are included in interest expense in the accompanying statement of income.

Investment in Rental Property

Buildings and improvements are carried at cost and are depreciated over 40 years on a straight-line basis. Personal property is depreciated over its estimated useful life, primarily seven years, on a straight-line basis. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. The Company has established a capitalization threshold of \$5,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

The Company earns income under contracts with students for housing fees. Contract terms do not extend beyond one year.

Allegany College Housing, LLC
Notes to Financial Statements

Note 3. RESTRICTED CASH

Restricted cash includes amounts held in escrow by the Bond Trustees pursuant to the terms of the bond indenture and security deposits held in escrow in accordance with the property management agreement. The amounts are held for the following purposes at June 30, 2013 and 2012.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Debt service reserves	\$ 900,492	\$ 842,635
Repair and replacement reserves	254,385	217,402
Working capital reserves	1,707,694	1,519,740
Security deposits	23,593	29,282
	<u>\$2,886,164</u>	<u>\$ 2,609,059</u>

Note 4. INVESTMENT IN RENTAL PROPERTY

The Rental Property is a student housing apartment complex consisting of 60 four-bedroom units. The Rental Property was placed in service in September 2001.

The investment in Rental Property consists of the following:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Building and improvements	\$ 6,286,221	\$ 6,286,221
Furniture, equipment & appliances	291,705	291,705
	6,577,926	6,577,926
Less: Accumulated depreciation	<u>(2,153,738)</u>	<u>(1,996,584)</u>
	<u>\$4,424,188</u>	<u>\$ 4,581,342</u>

Note 5. BONDS PAYABLE

On October 1, 2000, the Maryland Economic Development Corporation (the "Issuer") issued \$8,410,000 in Student Housing Revenue Bonds (the "Series 2000 Bonds".) The proceeds of these bonds were loaned to the Company for the purpose of acquiring, constructing, furnishing, and equipping the Rental Property.

The Series 2000 Bonds require the Company to maintain a Fixed Charge Coverage Ratio (as defined) of at least 1.25:1 on an annual basis. The ratio was 1.608 and 1.543 as of June 30, 2013 and 2012, respectively.

Allegany College Housing, LLC
Notes to Financial Statements

Note 5. BONDS PAYABLE (continued)

The Series 2000 Bonds were issued as Series 2000A Bonds in the amount of \$8,035,000, with an original issue discount of \$183,450, and Series 2000B Bonds in the amount of \$375,000. The Series 2000B Bonds have been paid in full while the Series 2000A Bonds consist of the following:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Term bonds with principal repayment commencing 2011	\$2,085,000	5.75%	September 1, 2020
Term bond with principal repayment commencing 2021	\$5,325,000	6.00%	September 1, 2032

The bond indenture requires all monies collected in the operation of the Rental Property to be deposited with the Bond Trustee who then directs the monthly distribution of the funds in accordance with the bond indenture generally in the following order of priority:

Bond Fund – amounts necessary to meet the subsequent interest and principal payments when due.

Property Manager – amounts necessary to satisfy 110% of the subsequent month's budgeted expenses, excluding management fees.

Debt Service Reserve Fund – amounts necessary to maintain a minimum balance of \$601,600.

Repair and Replacement Reserve Fund – deposit \$125 per bed increased by 3% annually or as recommended by architect/engineer survey performed every three years.

Operating Reserve Fund – amounts necessary to maintain a minimum balance of \$35,000.

Management Fees – amounts due under management agreement.

Surplus Fund – remitted to the Company under certain circumstances.

Allegany College Housing, LLC
Notes to Financial Statements

Note 5. BONDS PAYABLE (continued)

Future principal payments due on the bonds payable for the years ending June 30, are as follows:

2014	160,000
2015	190,000
2016	200,000
2017	210,000
2018	225,000
Thereafter	<u>5,975,000</u>
	6,960,000
Less discount	<u>(137,730)</u>
	<u>\$ 6,822,270</u>

The Series 2000 Bonds are secured by a leasehold deed of trust on the Rental Property, all equipment used in connection therewith, and an assignment of the Company's rights to all contracts, leases, and agreements.

Interest paid during the years ended June 30, 2013 and 2012, amounted to \$422,622 and \$491,619 respectively, and was charged entirely to interest expense. The amortization of the original issue discount is calculated using the effective interest method and charged to interest expense over the life of the bonds using effective interest rates from 6.05% to 6.15%.

Note 6. GROUND LEASE

The Company entered into a ground lease with the Allegany College of Maryland on October 1, 2000. The ground lease expires the earlier of October 1, 2040 or the payment in full of the Series 2000 Bonds. Upon the bonds being paid in full, the student housing units will revert to Allegany College of Maryland. Rental payments are due under the ground lease based on 90% of net available cash flow of the Company, as defined. No amounts were owed under the ground lease at June 30, 2013 and 2012.

Note 7. RELATED PARTY TRANSACTIONS

The Company is closely related to the property manager, Allegany College of Maryland, due to the fact that the entity's sole member, Somerset County Campus Foundation for Allegany College of Maryland, is a component unit of Allegany College of Maryland. During 2013 and 2012, the Company paid \$48,432 and \$50,833, respectively, in management fees to Allegany College of Maryland.

Allegany College Housing, LLC
Notes to Financial Statements

Note 7. RELATED PARTY TRANSACTIONS (continued)

Allegany College of Maryland provides labor, office space, and repair and maintenance costs for the Company. During fiscal year 2013 and 2012, the College paid approximately \$339,000 and \$395,000, respectively, in costs on behalf of the Company. These amounts are reported as support (in kind donations) and expenses (donated expenses) in the accompanying financial statements.

Note 8. RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Company has not recorded an estimated liability for costs incurred in excess of insured coverage or torts, and other claims against the Company.

Based on historical experience, the Company expects any such costs to be immaterial.

Note 9. TAX STATUS

The Company is organized as a limited liability company. Under federal and State of Maryland tax law, the Company does not pay federal or state income taxes on its taxable income. Instead, the Member is liable for any federal and state income taxes on its respective shares of the Company's net income. Accordingly, no provision for income taxes has been recorded in the financial statements.

Management has reviewed the Company's tax positions for all open tax years (current and prior tax years) and has determined that no provision for income taxes is required in the Company's financial statements, in accordance with financial and accounting disclosure requirements for recognition and measurement of tax positions taken or expected to be taken on a U.S. income tax return.

Note 10. RESTATEMENT OF MEMBER'S EQUITY

During fiscal year 2013, it was determined that accumulated amortization of the original issue discount was overstated by \$116,759. Therefore, a prior period adjustment in the amount of \$116,759 was made to restate the June 30, 2012 and June 30, 2011 member's equity. The bonds payable (net of accumulated amortization) balance at June 30, 2012 was restated as well. There was no effect on net income for the years ended June 30, 2013 or June 30, 2012.

Allegany College Housing, LLC
Notes to Financial Statements

Note 11. EVALUATION OF SUBSEQUENT EVENTS

The Company has evaluated, for possible financial statement disclosure, subsequent events through September 30, 2013, the date which the financial statements were available to be issued, and has determined there were no such events.

APPENDIX B

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS

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DEFINITIONS OF CERTAIN TERMS

Certain words and terms used in the Official Statement are defined therein. In additions to the words and terms elsewhere defined therein, the following words and terms are defined terms in the Official Statement.

“2000 Indenture” means the Trust Indenture dated as of October 1, 2000, between the Issuer and the Series 2000 Trustee, pursuant to which the Series 2000 Bonds were issued by the Issuer, together with any and all supplements thereto.

“Accountant” means an independent certified public accountant or firm of independent certified public accountants (which may be the accountant or firm of accountants retained by the Borrower).

“Accounts” means, collectively, all of the accounts within the Funds created pursuant to the Indenture (each, an **“Account”**).

“Act” means Sections 10-101 through 10-132, inclusive, of the Economic Development Article of the Annotated Code of Maryland, as amended, and as the same may be from time to time additionally supplemented and amended.

“Additional Bonds” means any additional parity Bonds authorized to be issued by the Issuer pursuant to the terms and conditions of Section 211 of the Indenture.

“Additional Loan Payments” means the Loan Payments payable by the Borrower to the Issuer pursuant to the Loan Agreement described under the subheading “Additional Loan Payments” in Section 5.02(c) of the Loan Agreement, which are described in this Appendix B, under the heading **“SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable - Additional Loan Payments.”**

“Additions or Alterations” means modifications, repairs, renewals, improvements, replacements, alterations, additions, enlargements, or expansions in, on, or to the Project, including any and all machinery, furnishings, and equipment therefor.

“Adverse Tax Action” means any action, or omission to the action, the result of which is to subject interest on any Tax-Exempt Bonds to inclusion in gross income for federal income tax purposes.

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

“Agreement or “Loan Agreement” means the Loan Agreement dated as of February 1, 2014 between the Issuer and the Borrower, as the same may be amended and supplemented from time to time in accordance with the provisions of the Indenture.

“Agreement Term” means the duration of the Loan Agreement as specified in Section 5.01 of the Loan Agreement.

“***Amendment to Ground Lease***” means the First Amendment to Ground Lease Agreement dated as of the Closing Date, between the College, as lessor and the Borrower, as lessee.

“***Amendment to Management Agreement***” means the First Amendment to Property Management Agreement dated as of the Closing Date, between the Borrower and the Manager.

“***Annual Budget***” means the annual budget of the Borrower required by Section 8.10 of the Loan Agreement.

“***Assignment of Management Agreement***” means the Assignment of Management Agreement dated as of February 1, 2014 from the Borrower to the Issuer, as the same may be amended and supplemented from time to time as permitted by the Indenture.

“***Audit Report***” means an audit report resulting from an audit conducted by an Accountant in conformity with generally accepted auditing standards prepared in accordance with GAAP.

“***Authorized Borrower Representative***” means the College’s Vice President of Finance and Human Resources or Director of Accounting or any other person at the time designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee, and acceptable to the Municipal Insurer, containing the specimen signature of such person and signed on behalf of the Borrower by the Chairman of the Board or President of the Foundation. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

“***Authorized Denominations***” means denominations of Five Thousand Dollars (\$5,000) and any integral multiple thereof (each, an “***Authorized Denomination***”).

“***Authorized Issuer Representative***” means the Executive Director, the Chairman, or the Vice Chairman of the Governing Body or any person at the time designated to act on behalf of the Issuer by written certificate furnished to the Borrower and the Trustee, containing the specimen signature of such person and signed on behalf of the Issuer by the Executive Director or Chairman or Vice Chairman of the Governing Body. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

“***Basic Loan Payments***” means the Loan Payments payable by the Borrower to the Issuer pursuant to the Loan Agreement, described under the subheading “Basic Loan Payments” in Section 5.02(a) of the Loan Agreement, which are described in this Appendix B under the heading “**SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable - Basic Loan Payments.**”

“***Bond Counsel***” means Ballard Spahr LLP, or any other Independent Counsel nationally recognized as experienced in matters relating to Tax-Exempt Bonds and designated as such by the Issuer.

“***Bond Documents***” means, collectively, the Ground Lease, the Loan Agreement, the Indenture, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Management Agreement, the Bond Purchase Agreement and the Continuing Disclosure Agreement.

“***Bond Fund***” means the fund so designated and created in Section 502 of the Indenture.

“***Bond Purchase Agreement***” means the Bond Purchase Agreement dated January ___, 2014, among the Issuer, the Borrower, and the Underwriter.

“***Bond Register***” means the books for the registration of the Bonds and for the registration of the transfer of the Bonds kept and maintained by the Trustee as bond registrar.

“***Bond Resolution***” means the resolution dated December 16, 2013 and any other resolutions adopted by the Issuer authorizing the issuance and sale of the Series 2014 Bonds and the security therefor.

“***Bond Year***” means the twelve-month period beginning on July 2 of each calendar year and ending on July 1 of the immediately succeeding calendar year, provided, that the initial bond year will begin on the date of issuance and delivery of the Series 2014 Bonds.

“***Bondholders***” or “***Bondowners***,” or “***Owners***” or “***owners***” means the Persons in whose names any of the Bonds are registered on the Bond Register.

“***Bonds***” means the Series 2014 Bonds and all series of Additional Bonds from time to time authenticated and delivered under the Indenture.

“**Borrower**” means Allegany College Housing, LLC, a nonprofit limited liability company duly organized and existing under of the laws of the State of Maryland, and its successors and assigns.

“**Borrower Documents**” means the Ground Lease, the Loan Agreement, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Management Agreement, and the Continuing Disclosure Agreement.

“**Building**” means those certain buildings and all other facilities and improvements constituting part of the Project and not constituting part of the Equipment that are or will be located on the Premises.

“**Business Day**” means any day other than a day (i) on which banks located in the city in which the Office of the Trustee is located are authorized by law to close and (ii) on which the New York Stock Exchange is closed.

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

“**Cede & Co.**” means Cede & Co., the nominee of DTC or any successor nominee of DTC with respect to the Bonds.

“**Closing Date**” means the date of issuance and delivery of the Series 2014 Bonds.

“**Code**” means the Internal Revenue Code of 1986, as amended. Reference herein to any specific provision of the Code shall be deemed to include a reference to any successor provision or provisions to such provision and to any Regulations issued or proposed under or with respect to such provision or under or with respect to any predecessor provision of the Internal Revenue Code of 1954, as amended.

“**College**” means the Allegany College of Maryland.

“**Condemnation Fund**” means the fund so designated and created in Section 508 of the Indenture.

“**Consistent Basis**” means, in reference to the application of GAAP, that the accounting principles observed in the period referred to are comparable in all material respects to those applied in the preceding period, except as to any changes consented to by the Municipal Insurer.

“**Consulting Architect**” means the architect or architectural firm at the time employed by the Borrower and designated by written certificate furnished to the Trustee, containing the signature of such person or the signature of a partner or officer of such firm, and signed on behalf of the Borrower by the Authorized Borrower Representative. The Consulting Architect shall be registered and qualified to practice under the laws of the State and shall not be a full-time employee of the Issuer, the Borrower, the College or the Foundation.

“**Continuing Disclosure Agreement**” means the Continuing Disclosure Agreement dated as of February 1, 2014 by and among the Borrower, the Trustee and the Dissemination Agent.

“**DTC**” means The Depository Trust Company of New York, New York, or any successor securities depository.

“**DTC Participant**” means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“**Debt Service Reserve Fund**” means the fund so designated and created in Section 505 of the Indenture.

“**Debt Service Reserve Requirement**” means (i) with respect to the Series 2014 Bonds the sum of \$ _____; (ii) with respect to any Additional Bonds for which there shall be a Debt Service Reserve Requirement, at the time of determination, the least of (a) ten percent (10%) of the original face amount of such Additional Bonds, (b) one hundred twenty-five percent (125%) of the average annual debt service on such Additional Bonds, (c) the Maximum Annual Debt Service on any Additional Bonds in any Bond Year, or (d) if such Additional Bonds are Tax-Exempt Bonds, such lesser sum as shall be required by the Code and the Regulations to ensure the exclusion of the interest thereon from the gross income of the Owners thereof for federal income tax purposes; and (iii) with respect to the Bonds, means the sum of the Debt Service Reserve Requirements for each Series of Bonds Outstanding; provided, however, that the amount of principal due in any Bond Year shall be determined, in the case of Bonds subject to mandatory sinking fund redemption pursuant to Section 305 of the Indenture and similar provisions in any supplemental indenture, by the principal amount of Bonds to be redeemed by mandatory sinking fund redemption in such Bond Year.

“Deed of Trust Indebtedness” means (a) the debt evidenced by the Loan Agreement, (b) the debt evidenced by any Additional Bonds, so long as the Loan Agreement (i) shall be supplemented and amended to reflect the loan of such Additional Bonds, and (ii) the Leasehold Deed of Trust is amended to secure such additional indebtedness, including the statement of the maximum principal amount secured by the Leasehold Deed of Trust; (c) any and all additional advances made or costs or expenses incurred by the Issuer to protect or preserve the Mortgaged Property or the lien created by the Leasehold Deed of Trust, or for taxes, assessments or insurance premiums as provided, or for performance of any of the Borrower’s obligations under the Leasehold Deed of Trust, or for any other purpose provided in the Leasehold Deed of Trust (which obligation shall survive the termination of the Leasehold Deed of Trust); and (d) any and all other indebtedness now or hereafter owing by the Borrower to the Issuer, however and whenever incurred or evidenced, whether express or implied, direct or indirect, absolute or contingent, or due or to become due, and all renewals, modifications, consolidations, replacements and extensions thereof.

“Defaulted Interest” means any interest on any Bond which is due and payable, but which is not punctually paid or duly provided for on any Interest Payment Date.

“Dissemination Agent” means Manufacturers and Traders Trust Company, in its capacity as dissemination agent under the Continuing Disclosure Agreement and its successors and assigns, and the dissemination agent under any successor agreement.

“Equipment” means the equipment, machinery, furnishings, and other personal property described in Exhibit “B” attached to the Loan Agreement, and all replacements, substitutions, and additions thereto.

“Event of Default” means the events specified in Section 1001 of the Indenture and Section 10.01 of the Loan Agreement.

“Examination Report” means an examination report resulting from an examination conducted by an Accountant in conformity with generally accepted standards for accountants’ service on prospective financial information prepared in accordance with GAAP.

“Excess Earnings” means an amount equal to the sum of (i) plus (ii) where:

(i) is the excess of (a) the aggregate amount earned from the date of issuance of the Series 2014 Bonds on all nonpurpose investments in which gross proceeds of the Series 2014 Bonds are invested (other than investments attributable to an excess described in this clause (i)), over (b) the amount that would have been earned if such nonpurpose investments (other than amounts attributable to an excess described in this clause (i)) were invested at a rate equal to the yield on the Series 2014 Bonds; and

(ii) is any income attributable to the excess described in clause (i).

The sum of (i) plus (ii) shall be determined in accordance with Section 148(f) of the Code. As used herein, the terms “gross proceeds”, “nonpurpose investments” and “yield” have the meanings assigned to them for purposes of Section 148(f) of the Code. “Excess Earnings”, however, shall not include any amount earned on the Bond Fund during any Fiscal Year if the gross earnings on the Bond Fund for such Fiscal Year are less than \$100,000.

“Executive Director” means the Executive Director of the Issuer, or any other person authorized by resolution of the Issuer to act on behalf of the Issuer under or with respect to the Indenture.

“Exempt Person” means (i) a governmental unit or (ii) an organization described in §501(c)(3) of the Code and exempt from tax under §501(a) of the Code with respect to its activities that do not constitute unrelated trades or businesses, determined by applying §513(a) of the Code.

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

“Extraordinary Services of the Trustee” and **“Extraordinary Expenses of the Trustee”** mean all services rendered and all expenses incurred by the Trustee under the Indenture, including, without limitation, reasonable counsel fees and expenses, other than Ordinary Services of the Trustee and Ordinary Expenses of the Trustee.

“**Financial Consultant**” means a firm of Accountants or consultants, knowledgeable in the operation and financial affairs of student housing facilities, reasonably acceptable to the Trustee and Municipal Insurer, which is to be employed by the Borrower to make reports with respect to rates, fees, charges, services, and operations and to provide other functions and duties provided for in the Indenture and the Loan Agreement, including the calculation of amounts required to be rebated to the United States under Section 148(f) of the Code.

“**Fiscal Year**” means any period of twelve (12) consecutive months adopted by the Borrower as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending on June 30 of the immediately succeeding calendar year.

“**Fitch**” means Fitch Ratings, Inc., its successors and assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “**Fitch**” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower. Whenever rating categories of Fitch’s are referred to in the Indenture, such categories shall be irrespective of gradations within a category.

“**Fixed Charges**” means, for any period, the sum of all cash outflows relating to the Property that the Borrower cannot avoid without violating long-term contractual or legal obligations (those obligations that extend for a period greater than one year), including, but not limited to, (i) interest on Indebtedness other than Short-Term Indebtedness, and (ii) scheduled payments of principal on Indebtedness other than Short-Term Indebtedness. “**Fixed Charges**” do not include (w) payments made to the Ground Lessor under the Ground Lease, (x) payments required to be made to the Repair and Replacement Fund, (y) principal and interest payable on any Indebtedness to the extent that such principal and interest are payable from the proceeds of such Indebtedness, or (z) Expenses.

“**Fixed Charges Coverage Ratio**” means, for any period, the ratio of Revenue Available for Fixed Charges to Fixed Charges.

“**Foundation**” means Somerset County Campus Foundation for Allegany College of Maryland, a nonprofit corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, and its successors and assigns.

“**Funds**” means, collectively, all of the funds created pursuant to the Indenture (each, a “**Fund**”).

“**Furnishings**” means all furniture, furnishings, decorations, wall and floor coverings, shelving, and similar items now or hereafter located on or within the Project and necessary for the proper use of the Project and all additions thereto and replacements thereto, specifically saving and excepting the Equipment. In the event that any item rightfully may be considered as either Equipment or Furnishings, that item shall be among the Equipment.

“**GAAP**” means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants, as such principles are from time to time supplemented and amended.

“**General Revenues**” means the sum of (i) the gross rents derived from the ownership or operation of the Property, plus (ii) other operating revenues derived from the ownership or operation of the Property, plus (iii) non-operating revenues derived from the ownership or operation of the Property (other than contributions, earnings that constitute Capitalized Interest, and earnings on amounts that are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness), plus (iv) Unrestricted Contributions, all as determined in accordance with GAAP.

“**Governing Body**” means the Board of Directors of the Issuer.

“**Government Obligations**” means direct obligations of, or obligations the payment of the principal of and interest on which when due are unconditionally guaranteed by the United States of America and which are not redeemable prior to their maturity at the option of the issuer thereof.

“**Ground Lease**” means the Ground Lease Agreement dated and effective as of October 1, 2000 between the Ground Lessor and the Borrower, as amended by the Amendment to Ground Lease, and as the same may be further amended from time to time in accordance with the provisions thereof and of the Indenture.

“**Ground Lessor**” means the College.

“**Indebtedness**” means, but only to the extent incurred in connection with the Property, (i) all indebtedness, whether or not represented by bonds, debentures, notes, or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness for the payment of the purchase price of properties or assets purchased, (iii) all guaranties,

endorsements (other than endorsements in the ordinary course of business), assumptions, and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others, (iv) all indebtedness secured by mortgage, pledge, security interest, or lien existing on property owned which is subject to such mortgage, pledge, security interest, or lien, whether or not the indebtedness secured thereby shall have been assumed, and (v) all capitalized lease obligations; provided, however, that for the purpose of computing Indebtedness, there shall be excluded any particular Indebtedness if, upon or prior to the maturity thereof, there shall have been irrevocably deposited with the proper depository in trust the necessary funds (or direct obligations of the United States of America not redeemable by the issuer thereof) for the payment, redemption, or satisfaction of such indebtedness, and thereafter such funds and such direct obligations of the United States of America so deposited shall not be included in any computation of the assets of the Borrower and the income derived from such funds and such direct obligations of the United States of America so deposited shall not be included in any computation of the income of the Borrower.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state of the United States or the District of Columbia and not in the full-time employment of the Issuer, the Borrower, the College or the Foundation.

“Insurance Consultant” means any Person, who is not the Borrower or an Affiliate of the Issuer or the Borrower, the College or the Foundation, appointed by the Borrower, who is qualified to survey risks and to recommend insurance coverage for student housing facilities and organizations engaged in like operations as that of the Borrower in the State and who has a favorable reputation for skill and experience in such surveys and such recommendations and who may be a broker or agent with whom the Borrower, the College, the Foundation or the Issuer transacts business.

“Insurance Fund” means the fund so designated and created in Section 508 of the Indenture.

“Interest Payment Date” means January 1 and July 1 of each year, commencing July 1, 2014, in the case of Series 2014 Bonds, and the dates on which interest is scheduled to be paid, in the case of Additional Bonds.

“IRS” means the United States Internal Revenue Service or any successor agency or department.

“Issuance Cost Fund” means the fund so designated and created in Section 503 of the Indenture.

“Issuance Costs” means:

(i) the initial or acceptance fee of the Trustee (which includes the administration fee for the first year), the fees and taxes for recording and filing the Leasehold Deed of Trust, the Security Agreement, the Assignment of Management Agreement, financing statements, and any title curative documents that either the Borrower or Independent Counsel may reasonably deem desirable to file for record in order to perfect or protect the title of the Borrower to the Property or the lien or security interest created or granted by the Leasehold Deed of Trust, the Security Agreement or the Assignment of Management Agreement, and the reasonable fees and expenses in connection with any actions or proceedings that either the Borrower or Independent Counsel may reasonably deem desirable to bring in order to perfect or protect the lien or security interest created or granted by the Leasehold Deed of Trust, the Security Agreement or the Assignment of Management Agreement in connection with the issuance of the Series 2014 Bonds;

(ii) the costs of legal fees and expenses, underwriter’s spread, underwriting fees, financing costs, the Issuer’s fees and expenses, financial advisor’s fees, accounting fees and expenses, consulting fees, the Trustee’s fees, paying agent and certifying and authenticating agent fees, dissemination agent fees, reasonable fees and expenses of counsel to the Trustee, publication costs, title insurance premiums, and printing and engraving costs incurred in connection with the authorization, sale, issuance, and carrying of the Series 2014 Bonds and the preparation of the Bond Documents and all other documents in connection therewith; and

(iii) other costs in connection with the issuance of the Series 2014 Bonds permitted by the Act to be paid or reimbursed from Series 2014 Bond proceeds.

“Issuer” means Maryland Economic Development Corporation, a body politic and corporate and an instrumentality duly created and validly existing under the laws of the State, and its successors and assigns.

“Issuer’s Fee” means the annual fee of the Issuer, in the amount of one-eighth of one percent (1/8%) of the principal amount of the Bonds issued on the Closing Date, and one-eighth of one percent (1/8%) of the principal amount of Bonds Outstanding on the date such fee is payable, after taking into account any redemption of Bonds on

such date, payable in advance on the Closing Date and annually in advance thereafter on each anniversary of the Closing Date, commencing on February __, 2015.

“Leasehold Deed of Trust” means the Leasehold Deed of Trust and Assignment of Rents and Leases dated as of February 1, 2014 from the Borrower to the individual deed of trust trustees named therein for the benefit of the Issuer, as the same may be amended and supplemented from time to time in accordance with the provisions of the Indenture.

“Loan” means the loan by the Issuer to the Borrower of the proceeds of the Series 2014 Bonds pursuant to Section 3.01 of the Loan Agreement.

“Loan Payments” means, collectively, the Basic Loan Payments, the Reserve Loan Payments, the Additional Loan Payments and the Operating Reserve Fund Loan Payments.

“Majority of the Bondholders” means the Owners of more than fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding.

“Management Agreement” means (i) the Property Management Agreement dated as of June 17, 2003 between the Borrower and the Manager, as amended by the Amendment to Management Agreement, as the same may be further amended and/or supplemented from time to time, and (ii) any management or similar agreement between the Borrower and any successor Manager relating to the management of the Project, as the same may be amended and/or supplemented from time to time.

“Manager” means, the College, and any other manager employed by the Borrower in accordance with the Loan Agreement to manage the Project.

“Maximum Annual Debt Service” means the maximum annual debt service on any Indebtedness that will come due in any Bond Year or Fiscal Year, as the case may be, whether at maturity or subject to a mandatory sinking fund redemption; provided, however, that with respect to the Series 2014 Bonds, there shall be excluded from the calculation of Maximum Annual Debt Service the last year of the term of the Series 2014 Bonds.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, **“Moody’s”** shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower. Whenever rating categories of Moody’s are specified in the Indenture, such categories shall be irrespective of gradations within a category.

“Mortgaged Property” Shall have the meaning given thereto in the Leasehold Deed of Trust.

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

“Office of the Trustee” means (i) for notice purposes, the principal corporate trust office of the Trustee in Baltimore, Maryland, currently located at 25 South Charles, Baltimore, Maryland 21201, (ii) for the presentment or payment of Bonds, the principal corporate trust office of the Trustee in Wilmington, Delaware, currently located at c/o Wilmington Trust, Corporate Trust Operations, Attn: Work Flow Management, 1100 N. Market Street, Wilmington, Delaware 19890, or (iii) such other location as may be designated by it to the Borrower and the Issuer in writing, or the principal corporate trust office of, or such other location as may be designated to the Borrower and the Issuer in writing by, any successor or temporary Trustee under the Indenture.

“Operating Fund” means the checking account maintained by the Manager on behalf of the Borrower from which the Manager shall pay Expenses.

“Operating Reserve Fund” means the fund so designated and created in Section 507 of the Indenture.

“Operating Reserve Fund Loan Payments” means the loan payments payable by the Borrower, described under the subheading “Operating Reserve Fund Loan Payments” in Section 5.02(d) of the Loan Agreement, which are described in this Appendix B under the heading, **“SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable - Operating Reserve Fund Loan Payments.”**

“Ordinary Services of the Trustee” and **“Ordinary Expenses of the Trustee”** mean those reasonable services rendered and those reasonable expenses incurred by the Trustee in the performance of its duties under the Indenture of the type ordinarily performed by corporate trustees under like indentures, including, without limitation, reasonable counsel fees and expenses.

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

- (i) Bonds theretofore canceled or required to be canceled by the Trustee;
 - (ii) Bonds that are deemed to have been paid in accordance with Article IX of the Indenture;
- and
- (iii) Bonds in substitution for which other Bonds have been authenticated and delivered under Section 205 of the Indenture.

If the Indenture shall be discharged pursuant to Article IX thereof, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

“Permitted Encumbrances” means, as of any particular time, (i) liens for ad valorem taxes, special assessments, and other charges not then delinquent or for taxes, assessments, and other charges being contested in accordance with Section 6.03 of the Loan Agreement, (ii) Leasehold Deed of Trust, (iii) currently existing utility, access, and other easements and rights of way, restrictions, and exceptions described in the title policy required by Section 3.05 of the Loan Agreement, (iv) inchoate mechanics’ and materialmen’s liens which arise by operation of law, but which have not been perfected by the required filing of record, for work done or materials delivered after the date of recording the Leasehold Deed of Trust in connection with Additions or Alterations, (v) the mechanics’ and materialmen’s liens permitted by Section 6.01 of the Loan Agreement, (vi) the release and subordination permitted by Section 8.05 of the Loan Agreement, (vii) liens or encumbrances securing Additional Bonds permitted by Section 8.08 of the Loan Agreement and by Section 211 of the Indenture, and (viii) any memorandum of lease relating to the Ground Lease.

“Permitted Investments” means:

- (a) Government Obligations;
- (b) obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America:
 - (1) U.S. Export-Import Bank (Eximbank)
 - (2) Rural Economic Community Development Administration
 - (3) Federal Financing Bank
 - (4) General Services Administration
 - (5) U.S. Maritime Administration
 - (6) U.S. Department of Housing and Urban Development
 - (7) Small Business Administration
 - (8) Government National Mortgage Association (GNMA)
 - (9) Federal Housing Administration
 - (10) Farm Credit System Financial Assistance Corporation;
- (c) negotiable or nonnegotiable certificates of deposit issued by, and time deposits with, commercial banks, trust companies or savings and loan associations (including the Trustee) which have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term rating category of at least two of the Rating Agencies, and secured, for the benefit of the Trustee, by lodging with a bank or trust company, acting as agent for the Trustee, as collateral security, Government Obligations having a market value not less than the amount of such deposit;

(d) repurchase agreements for Government Obligations or for such securities as are described in clause (b) above or clause (e) below, which are entered into by the Trustee with (i) banks, trust companies or dealers in government bonds which report to, trade with and are recognized as primary dealers by a Federal Reserve Bank, or (ii) financial institutions, insurance companies, or financial services firms, and in either such case, (A) are rated within the two highest rating categories (without regard to qualification, numerical or otherwise) of at least two of the Rating Agencies at the time of entry into such repurchase agreements, or (B) whose payment obligations under such repurchase agreements are guaranteed by parent entities or other third parties which are rated within the two highest rating categories (without regard to qualification, numerical or otherwise) of at least two of the Rating Agencies; which Government Obligations or securities described in clause (b) above or in clause (e) below: (i) have a fair market value equal to at least 102% of the amount of the related repurchase obligations, and (ii) are transferred to the Trustee by physical delivery, or to a third party custodian acceptable to the Trustee by physical delivery, or by an entry made on the records of the issuer of such Government Obligations or such securities;

(e) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(1) Senior debt obligations rated in the highest long-term rating category (without regard to qualification, numerical or otherwise) by at least two Rating Agencies issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); and

(2) Senior debt obligations of the Federal Home Loan Bank System;

(f) commercial paper which is rated at the time of purchase in the highest short-term rating category (without regard to qualification, numerical or otherwise) of at least two Rating Agencies and which matures not more than 270 days after the date of purchase;

(g) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which either (a) have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term rating category (without regard to qualification, numerical or otherwise) of at least two Rating Agencies, or (b) are collateralized with direct obligations of the United States of America at 102% valued daily. All such certificates must mature no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(h) investments in (i) money market funds subject to SEC Rule 2a-7 and rated in the highest short-term rating category (without regard to qualification, numerical or otherwise) of at least two Rating Agencies and (ii) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the deposit under the Indenture shall not exceed 5% of the aggregate pool balance at any time and such pool is rated in the highest short-term rating category (without regard to qualification, numerical or otherwise) of at least two Rating Agencies, including any fund for which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent, custodian or subcustodian, notwithstanding that (A) the Trustee or an affiliate of the Trustee charges and collects fees and expenses from such funds for services rendered (provided that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length) and (B) the Trustee charges and collects fees and expenses for services rendered, pursuant to the Indenture;

(i) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category (without regard to qualification, numerical or otherwise) of a Rating Agency; or

(2) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash and/or Government Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and

(y) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant or verification agent, to pay principal of and interest and redemption premium, if any, on the bonds

or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(j) general obligations of states with a short-term rating in the highest rating category (without regard to qualification, numerical or otherwise) and a long-term rating in one of the two highest rating categories (without regard to qualification, numerical or otherwise) of at least two Rating Agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually;

(k) investment agreements, the provider of which is rated in one of the two highest rating categories (without regard to qualification, numerical or otherwise) by two Rating Agencies under which the provider agrees to periodically deliver, on a delivery versus payment basis, such securities as are described in clauses (a), (b) and (e) above; and

(l) investment agreements issued by any financial institution, insurance company or financial services firm (i) that maintains a rating in one of the two highest rating categories (without regard to qualification, numerical or otherwise) from a Rating Agency, or (ii) whose payment obligations under such investment agreements are guaranteed by parent entities or other third parties that maintain a rating in one of the two highest rating categories (without regard to qualification, numerical or otherwise) from a Rating Agency, or (iii) whose obligations under such investment agreements are collateralized by obligations described in clauses (a), (b), (c), (d), (f) or (j) above and which are delivered to the Trustee, or registered in the name of the Trustee, or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, or are held (including by book entries) by a third party custodian acceptable to the Trustee, provided that such investment agreements described in this clause (iii) must provide that the value of such obligations collateralizing such investment agreements shall be maintained at a current market value (determined not less frequently than weekly) of not less than 102% of the aggregate amount of the obligations of such financial institution, insurance company or financial services firm; provided, however, that any investment agreement, at the time it is entered into, must meet and comply with the requirements of either clause (i) or clause (ii) above.

“**Person**” means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities.

“**Premises**” means the land described in Exhibit “B” attached to the Indenture.

“**Prime Rate**” means the prime rate charged corporate borrowers by the commercial lending department of the Trustee, or any affiliate of the Trustee, if any, or in the absence of such commercial lending department or rate, the rate designated the “Prime Rate” as published each Business Day in the *Wall Street Journal*.

“**Project**” means the 236-bed student housing facility located in Allegany County, Maryland, consisting of the Building and the Equipment, and including any Additions or Alterations completed in accordance with the Indenture and the Loan Agreement.

“**Property**” means the Project and the Premises.

“**Rating Agency**” means Fitch, Moody’s or S&P, or any other securities rating agency that, at the request of the Borrower, shall have assigned a rating that is then in effect with respect to any Bonds, and their respective successors and assigns, and “**Rating Agencies**” means each such Rating Agency, individually or collectively, as applicable. Whenever the term “**Rating Agency**” or “**Rating Agencies**” is used herein, it shall mean or include the Rating Agency, if any, that is then maintaining a rating on the Bonds.

“**Rebate Amount**” means the amount (determinable as of the last day of the fifth Bond Year and upon retirement of the last Series 2014 Bond) of the arbitrage profits payable to the United States government at the times and in the amount specified in Section 148(f) of the Code, as set forth in Section 514 of the Indenture.

“**Rebate Fund**” means the fund so designated and which may be created pursuant to Section 514 of the Indenture.

“**Redemption Fund**” means the fund so designated and created in Section 510 of the Indenture.

“**Regular Record Date**” means the fifteenth (15th) day of the month (whether or not a Business Day) immediately preceding each Interest Payment Date.

“**Regulations**” means the applicable treasury regulations promulgated under the Code or under §103 of the Internal Revenue Code of 1954, as amended, whether at the time proposed, temporary, final, or otherwise. Reference

herein to any specific provision of the Regulations shall be deemed to include a reference to any successor provision or provisions to such provision.

“Release Date” means the date which is 30 days after the receipt by the Trustee of annual audited financials for each Fiscal Year of the Project, or the next succeeding Business Day if such date is not a Business Day.

“Release Tests” means the tests set forth in Section 509 of the Indenture relating to the release of moneys on deposit in the Surplus Fund and described in the Official Statement under the heading **“SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS - Surplus Fund.”**

“Repair and Replacement Fund” means the fund created in Section 506 of the Indenture.

“Repair and Replacement Fund Requirement” means, beginning with the Fiscal Year ending June 30, 2014, \$175 per bed located at the Project per Fiscal Year. Such requirement shall increase each Fiscal Year by the greater of (i) 3% per year or (ii) the amount, based on the physical condition of the Project, contained in a recommendation of an independent architect or engineer employed by the Borrower, which architect and/or engineer shall be employed every third year from the date of the issuance of the Bonds, at the cost and expense of the Borrower, and which recommendation shall be submitted to the Borrower and the Trustee. The Borrower shall provide to the Trustee a certificate of the Authorized Borrower Representative indicating the amount of the Repair and Replacement Fund Requirement each time it is to be increased.

“Requisite Number of Bondholders” means the Owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding.

“Reserve Loan Payments” means the loan payments payable by the Borrower, described under the subheading “Reserve Loan Payments” in Section 5.02(b) of the Loan Agreement, which are described in this Appendix B under the heading **“SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable - Reserve Loan Payments.”**

“Responsible Officer” means, when used with respect to the Trustee, any officer within the Corporate Trust Department (or any successor group of the Trustee) including, without limitation, any vice president, assistant vice president, assistant secretary, or any other officer or assistant officer of the Trustee designated by the Trustee and who are located at the Office of the Trustee.

“Revenue Available for Fixed Charges” means, for any period, the excess of Revenues over Expenses of the Borrower, plus amounts deducted in arriving at such excess of Revenues over Expenses for (i) interest on Indebtedness other than Short-Term Indebtedness, (ii) depreciation, and (iii) amortization.

“Revenue Fund” means the fund created in Section 501 of the Indenture.

“Revenues” means, for any period, with respect to the Property (i) the sum of (a) the gross rents, plus (b) other operating revenues, plus (c) non-operating revenues (other than contributions, income derived from the sale of assets not in the ordinary course of business or any gain from the extinguishment of debt, termination of pension plans, or other extraordinary item or earnings that constitute Capitalized Interest or earnings on amounts that are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness), plus (d) Unrestricted Contributions, all as determined in accordance with GAAP, but excluding in any event (ii) the sum of (a) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business, plus (b) earnings resulting from any reappraisal, revaluation, or write-up of assets, plus (c) contributions from any Affiliate.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, **“S&P”** shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower. Whenever rating categories of S&P are specified in the Indenture, such categories shall be irrespective of gradations within a category.

“Security” means any of the property subject to the operation of the granting clauses contained in the Leasehold Deed of Trust, the Security Agreement, the Assignment of Management Agreement and the Indenture which is part of the Trust Estate and which serves as collateral for the Bonds.

“Security Agreement” means the Security Agreement dated as of February 1, 2014 from the Borrower to the Issuer, as the same may be amended and/or supplemented from time to time as permitted by the Indenture.

“Series 2000 Bonds” means, collectively, the Series 2000A Bonds and the Series 2000B Bonds.

“**Series 2000 Trustee**” means Manufacturers and Traders Trust Company, as successor in interest to Allfirst Trust Company National Association.

“**Series 2000A Bonds**” means the revenue bonds designated “Maryland Economic Development Corporation Student Housing Revenue Bonds (Allegany College of Maryland Project) Series 2000A” in the aggregate principal amount of \$8,035,000, and \$6,780,000 of which is currently outstanding.

“**Series 2000B Bonds**” means the revenue bonds designated “Maryland Economic Development Corporation Taxable Student Housing Revenue Bonds (Allegany College of Maryland Project) Series 2000B” in the aggregate principal amount of \$375,000, which have been paid in full and are no longer outstanding.

“**Series 2014 Bonds**” means the refunding revenue bonds designated “Maryland Economic Development Corporation Student Housing Refunding Revenue Bonds (Allegany College of Maryland Project) Series 2014” in the original aggregate principal amount of \$_____, to be issued pursuant to the Indenture.

“**Short-Term Indebtedness**” means any Indebtedness maturing not more than three hundred sixty-five (365) days after it is incurred or which is payable on demand, except for any such Indebtedness that is renewable or extendable at the sole option of the debtor to a date more than three hundred sixty-five (365) days after it is incurred, or any such Indebtedness, which, although payable within three hundred sixty-five (365) days, constitutes payments required to be made on account of Indebtedness which is to mature more than three hundred sixty-five (365) days after it was incurred.

“**Sinking Fund Installment**” means the amount of money provided in the Indenture, and in each supplemental indenture authorizing any series of Additional Bonds, to redeem or pay at maturity Series 2014 Bonds or Additional Bonds at the times and in the amounts provided in the Indenture or such supplemental indenture (as the case may be), less the amount of any credit against such amount arising from the purchase of Series 2014 Bonds or Additional Bonds in any prior Bond Year.

“**Special Record Date**,” for the payment of any Defaulted Interest, means the date fixed by the Trustee pursuant to Section 208 of the Indenture.

“**State**” means the State of Maryland.

“**Surplus Account**” means the account of the Surplus Fund by that name created in Section 509 of the Indenture.

“**Surplus Fund**” means the fund so designated and created in Section 509 of the Indenture.

“**Tax Agreement**” means the Tax Compliance Agreement dated as of the Closing Date among the Issuer, the Borrower and the Foundation as the same may be amended from time to time in accordance with the provisions thereof and of the Indenture.

“**Tax-Exempt Bonds**” means any Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes.

“**Tax-Exempt Organization**” means a Person organized under the laws of the United States of America or any state thereof that is an organization described in §501(c)(3) of the Code, (ii) that is exempt from federal income taxes under §501(a) of the Code, and (iii) that is not a “private foundation,” within the meaning of §509(a) of the Code, unless mere is delivered to the Issuer and the Trustee an opinion of Bond Counsel to the effect that the status of such Person as a private foundation will not bring about an Adverse Tax Action.

“**Trustee**” means the trustee and/or the co-trustee at the time serving as such under the Indenture. Manufacturers and Traders Trust Company is the initial Trustee.

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

“**Unassigned Rights**” means all of the rights of the Issuer to receive reimbursements and payments pursuant to Sections 5.02, 6.08, 8.06, and 10.04 of the Loan Agreement, to approve substitute property pursuant to §§3.05 and 7.02 thereof, to be held harmless and indemnified pursuant to Section 8.06 thereof, and to execute and deliver supplements to and amendments of the Loan Agreement pursuant to Section 12.04 thereof.

“**Underwriter**” means RBC Capital Markets, LLC, and its successors and assigns.

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

SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS

The following summaries of certain of the Bond Documents do not purport to be comprehensive or definitive statements of the provisions of such Bond Documents and prospective purchasers of the Series 2014 Bonds are referred to the complete texts of such documents, copies of which are available upon request from the Underwriters prior to the issuance and delivery of the Series 2014 Bonds and from the Trustee after the issuance and delivery of the Series 2014 Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Introduction

The Loan Agreement is an agreement which provides for the loan of the proceeds of the Series 2014 Bonds issued by the Issuer to the Borrower for the purposes described under “**ESTIMATED SOURCES AND USES OF FUNDS**” in the Official Statement and for the repayment of and security for such loan by the Borrower.

Agreement to Issue Series 2014 Bonds and Make Loan

The Issuer has agreed to issue the Series 2014 Bonds and lend the proceeds therefrom to the Borrower. All obligations incurred by the Issuer under the Loan Agreement will be limited obligations, payable solely from the Trust Estate. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS**” in the Official Statement.

Term of the Loan Agreement

The Loan Agreement shall become effective upon its execution and delivery and shall be in full force and effect until 12:00 midnight, July 1, 20___, unless terminated prior thereto pursuant to the provisions of the Loan Agreement permitting earlier termination; provided, however, that the Loan Agreement shall not terminate unless the principal of and premium, if any, and interest on the Bonds have been fully paid (or provision for such payment has been made in accordance with the Indenture); provided, further, that the covenants and obligations expressed in the Loan Agreement to so survive shall survive the termination of the Loan Agreement.

Loan Payments and Other Amounts Payable

(a) *Basic Loan Payments:* (i) Until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower shall deposit with the Trustee for the account of the Issuer as Basic Loan Payments, in each case for deposit in the Bond Fund (or the Redemption Fund, if applicable), the following amounts:

(A) on or before February 20, 2014, and on or before the 20th day of each month thereafter to and including June 20, 2014, a sum equal to one-fifth (1/5th) of the amount payable on July 1, 2014, as interest on the Series 2014 Bonds or such lesser amount that, together with amounts already on deposit in the Bond Fund will be sufficient to pay interest on the Series 2014 Bonds to become due on July 1, 2014, as provided in the Indenture;

(B) on or before July 20, 2014, and on or before the 20th day of each month thereafter, a sum equal to one-sixth (1/6th) of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2014 Bonds or such lesser amount that, together with amounts already on deposit in the Bond Fund will be sufficient to pay interest on the Series 2014 Bonds to become due on the immediately succeeding January 1 or July 1, as the case may be, as provided in the Indenture;

(C) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of interest on such Additional Bonds;

(D) on or before February 20, 2014, and on or before the 20th day of each month thereafter to and including June 20, 2014, a sum equal to one fifth (1/5th) of the principal due on July 1, 2014, on the Series 2014 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund will be sufficient to pay the principal on the Series 2014 Bonds to become due on July 1, 2014, as provided in the Indenture;

(E) on or before July 20, 2014, and on or before the 20th day of each month thereafter, to and including June 20, 20___, a sum equal to (1) one-twelfth (1/12th) of the principal due on the Series 2014 Bonds on the next succeeding July 1 which is a maturity date of the Series 2014 Bonds, or (2) one-twelfth (1/12th) of the amount required to retire Series 2014 Bonds under the mandatory sinking fund redemption requirements of the Indenture on the next succeeding July 1, as provided in the Indenture, as the case may be;

(F) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of the principal of such Additional Bonds (whether at maturity or under any mandatory sinking fund or other similar redemption requirements of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds);

(G) for deposit in the Bond Fund or the Redemption Fund, as specified in the Indenture, on the Business Day prior to any date on which the Series 2014 Bonds are to be redeemed pursuant to the mandatory redemption provisions of the Indenture (other than mandatory sinking fund redemption pursuant to the Indenture), an amount equal to the principal of, and premium, if any, and interest on, the Series 2014 Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such Series 2014 Bonds to be redeemed); and

(H) for deposit in the Bond Fund or the Redemption Fund, as specified in any supplemental indenture or indentures executed in connection with the Additional Bonds, on the Business Day prior to any date on which any Additional Bonds are to be redeemed pursuant to any mandatory redemption provisions of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds (other than mandatory sinking fund or other similar redemption pursuant to such supplemental indenture or indentures), an amount equal to the principal of, and premium, if any, and interest on, such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such Additional Bonds to be redeemed).

(ii) Each payment of Basic Loan Payments described in (i)(A), (B), and (C) above shall in all events be sufficient, after giving credit for funds held in the Bond Fund, available for such purpose, to pay the total amount of interest payable on the Series 2014 Bonds on the next succeeding Interest Payment Date and each payment of Basic Loan Payments described in (i)(D), (E), (F), (G) and (H) above shall in all events be sufficient, after giving credit for funds held in the Bond Fund or the Redemption Fund available for such purpose, to pay the total amount of principal payable on the Series 2014 Bonds on the next July 1.

(b) Reserve Loan Payments: The Debt Service Reserve Fund shall be funded in an amount equal to the Debt Service Reserve Requirement for the purpose of paying principal of, premium, if any, and interest on the Series 2014 Bonds and on any Additional Bonds with respect to which there is a Debt Service Reserve Requirement as the same become due in the event there should be insufficient funds for said purpose in the Bond Fund, unless provision for their payment in full has been duly made, and for payment of fees, charges and expenses of the Trustee upon the occurrence of an Event of Default under the Indenture. In the event any funds from the Debt Service Reserve Fund shall be withdrawn or if there is a diminution in value of the amounts held in the Debt Service Reserve Fund as of any June 30 or December 31 (beginning June 30, 2014) or if any net losses result from the investment of amounts held in the Debt Service Reserve Fund that reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Requirement, the Borrower shall, beginning on the 20th day of the month following notice from the Trustee of such withdrawal, diminution in value, or losses, and on the 20th day of each month thereafter, in addition to any other Loan Payments that may be due, make monthly payments as Reserve Loan Payments to the Trustee for deposit into the Debt Service Reserve Fund as follows: (i) 1/4th of the amount of such deficiency if the value of the assets credited to the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement and such deficiency results from a decline in the value of the assets of the Debt service Reserve Fund; or (ii) 1/12th of the amount of such deficiency if such deficiency results from any withdrawal from the Debt Service Reserve Fund or from any other cause, in each case until the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Requirement, subject to a credit for earnings retained in or other deposits made to the Debt Service Reserve Fund during such period.

(c) *Additional Loan Payments:* (i) The Borrower agrees to pay (A) to the Trustee until the principal of, premium, if any, and interest on the Bonds shall have been fully paid (1) for deposit in the Repair and Replacement Fund, an amount equal to one-twelfth (1/12th) of the amount of the Repair and Replacement Fund Requirement on the 20th day of each month, beginning February 20, 2014, (2) for deposit in such fund or funds created under the Indenture or any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds, any and all additional amounts required as “Additional Loan Payments” in any amendment or amendments to the Loan Agreement to executed in connection with the issuance of Additional Bonds on the dates set forth therein, (3) promptly upon request, an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered and the Ordinary Expenses of the Trustee incurred under the Indenture, as and when the same become due, (4) promptly upon request, reasonable fees and charges of the Trustee, as bond registrar and paying agent, and of any other paying agents on the Bonds for acting as paying agents as provided in the Indenture, as and when the same become due, and (5) promptly upon request, the reasonable fees and charges of the Trustee for the necessary Extraordinary Services of the Trustee rendered by it and Extraordinary Expenses of the Trustee incurred by it under the Indenture, as and when the same become due; provided, that the Borrower may, without creating a default under the Loan Agreement, contest in good faith the reasonableness of any such Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee and the reasonableness of any such fees, charges, or expenses; and (B) to the Trustee for payment to the Issuer an amount sufficient to pay the Issuer’s Fee and to reimburse the Issuer for all expenses reasonably incurred by the Issuer under the Loan Agreement in connection with the refinancing of the Project and the issuance of the Series 2014 Bonds, including but not limited to the reasonable fees and expenses of counsel for the Issuer.

(ii) The Additional Loan Payments referred to in (c)(i)(A)(3)-(5) and (c)(i)(B) above shall be billed to the Borrower by the Issuer or the Trustee and from time to time, together with a statement certifying that the amount billed has been incurred or paid by such party for one or more of the above items. Amounts so billed shall be paid or caused to be paid by the Borrower within thirty (30) days after receipt of the bill by the Borrower.

(iii) In the event the Borrower shall fail to make any of the payments required in the Loan Agreement, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid and shall bear interest at the highest rate of interest on the Bonds.

(d) *Operating Reserve Fund Loan Payments:* The Operating Reserve Fund shall be funded in an amount equal to 90 days of operating expenses as shown on the Annual Budget for the primary purpose of paying operating expenses related to the Project to the extent that the amounts on deposit in the Operating Fund are insufficient to pay such expenses. In the event any funds from the Operating Reserve Fund shall be withdrawn or if any net losses result from the investment of amounts held in the Operating Reserve Fund that reduce the amount on deposit in the Operating Reserve Fund to less than 90 days of operating expenses as shown on the Annual Budget, the Borrower shall, beginning on the 20th day of the month following notice from the Trustee of such withdrawal or losses, and on the 20th day of each month thereafter, in addition to any other Loan Payments that may be due, make twelve (12) equal consecutive monthly payments as Operating Reserve Fund Loan Payments to the Trustee for deposit into the Operating Reserve Fund, each equal to one-twelfth (1/12th) of the amount of such withdrawals or losses, subject to a credit for earnings retained in or other deposits made to the Operating Reserve Fund during such period.

Obligations of Borrower Unconditional

The obligations of the Borrower to make the payments required pursuant to 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 shall be a general obligation of the Borrower and shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim it may otherwise have against the Issuer. The Borrower agrees that it shall not (i) suspend, abate, reduce, abrogate, diminish, postpone, modify or discontinue any payments described above under “**Loan Payments and Other Amounts Payable,**” (ii) fail to observe any of its other agreements contained in the Bond Documents, or (iii) terminate its obligations under the Bond Documents (except as permitted if the Bonds are fully paid) for any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, failure of the Borrower to occupy or to use the Project as contemplated in the Loan Agreement or otherwise, any acts or circumstances which may impair or preclude the use or possession of the Project, any defect in the title, design, operation, merchantability, fitness or condition of the Project or in the Suitability of the Project for the Borrower’s purposes or needs, failure of consideration, any declaration or finding that any of the Bonds are unenforceable or invalid, the invalidity of any provision of the Loan Agreement or any of the other Bond Documents, any acts or circumstances that may constitute an eviction or constructive eviction, destruction of or

damage to the Project, the taking by eminent domain of title to or the use of all or any part of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision or agency of either or in the rules or regulations of any governmental authority, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Loan Agreement. **The rights of the Issuer to enforce the obligations of the Borrower are limited as described in the Official Statement under the headings “NON-RECOURSE OBLIGATION OF THE BORROWER” and “CERTAIN BONDHOLDERS’ RISKS - Limited Obligations of the Borrower”.**

Maintenance and Operation of Project; Additions or Alterations

The Borrower agrees that during the Agreement Term it shall at its own expense (a) keep the Property in as reasonably safe condition as its operations shall permit, (b) keep the Building and all other improvements forming a part of the Project in good repair and in good operating condition, making from time to time, subject to the requirements described below, all necessary and proper repairs thereto and renewals and replacements thereof, including external and structural repairs, renewals, and replacements, and (c) use the Equipment in the regular course of its business only, within the normal capacity of the Equipment, without abuse, and in a manner contemplated by the manufacturer thereof, and cause the Equipment to be maintained in accordance with the manufacturer’s then currently published standard maintenance contract and recommendations. The Borrower may, also at its own expense, from time to time make any Additions or Alterations to the Project it may deem desirable for its business purposes that do not, in the opinion of a Consulting Architect filed with the Trustee, adversely affect the operation or value of the Project, provided that the opinion of a Consulting Architect shall only be required in the case of Additions or Alterations having a cost of more than One Hundred Thousand Dollars (\$100,000). Additions or Alterations to the Project so made by the Borrower shall be on the Premises, shall become a part of the Project and shall become subject to the liens of the Leasehold Deed of Trust and the Security Agreement. Such Additions or Alterations which cost in excess of Five Hundred Thousand Dollars (\$500,000) shall be made only by contractors who furnish performance and labor and material payment bonds in the full amount of such contracts, made by the contractor thereunder as the principal and surety company or companies reasonably acceptable to the Trustee as surety, and such bonds shall be in such form as is reasonably acceptable to the Trustee. Such bonds shall name the Borrower, the Issuer, and the Trustee as obligees and all Net Proceeds received under such bonds shall be paid over to the Trustee and deposited in the Insurance Fund to be applied to the completion of the Additions or Alterations to the Project.

The Borrower further agrees that at all times during the construction of Additions or Alterations which cost in excess of Five Hundred Thousand Dollars (\$500,000) it shall maintain or cause to be maintained in full force and effect Builder’s Risk-Completed Value Form insurance to the full insurable value of such Additions or Alterations. The Borrower shall not permit any mechanics’ or materialmen’s or other statutory liens to be perfected or remain against the Property for labor or materials furnished in connection with any Additions or Alterations so made by it, provided that it shall not constitute an Event of Default under the Loan Agreement upon such lien being filed, if the Borrower shall promptly notify the Trustee of any such liens, and the Borrower in good faith promptly contests such liens; in such event the Borrower may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom provided the Borrower shall furnish the Trustee with a bond, or cash deposit equal to at least the amount so contested or with a title insurance endorsement, which in the case of cash shall be placed into an account with the Trustee and held and invested, as instructed by the Borrower, for the purposes stated in this paragraph, and with an opinion of Independent Counsel reasonably acceptable to the Trustee stating that by nonpayment of any such items the liens of the Leasehold Deed of Trust and the Security Agreement will not be materially endangered and neither the Property nor any material part thereof will be subject to imminent loss or forfeiture. The Borrower shall promptly notify the Trustee as to whether or not any such action is stayed, and the proceeds of the bond or cash deposit, or the title insurance endorsement may be used by the Trustee to satisfy the lien if action is taken to enforce the lien and such action is not stayed. The bond or cash deposit or the title insurance endorsement shall be returned to the Borrower if the lien is successfully contested. If the Borrower is unable or otherwise fails to obtain such a bond or provide such a cash deposit or title insurance endorsement and such an opinion of Independent Counsel, the Borrower shall promptly cause to be satisfied and discharged all such items by payment thereof. If the Borrower is unable or otherwise fails to obtain such bond or cash deposit and an opinion of Independent Counsel or to satisfy and discharge the lien, the Issuer or the Trustee may, but shall be under no obligation to, satisfy and discharge the lien by payment thereof or provide security which causes the claimant to release the lien

against the Property, and all amounts so paid by the Issuer or the Trustee shall be treated as an advance to the Borrower repayable in accordance with the Loan Agreement.

The Borrower shall not do or permit others under its control to do any work in or about the Property or related to any repair, rebuilding, restoration, replacement, alteration of or addition to the Property, or any part thereof, unless the Borrower shall have first procured and paid for all requisite municipal and other governmental permits and authorizations. All such work shall be done in a good and workmanlike manner and in compliance with all applicable building, zoning and other laws, ordinances, governmental regulations, and requirements and in accordance with the requirements, rules and regulations of all insurers under the policies required to be carried under the provisions of the Loan Agreement.

Removal of Equipment

If no Event of Default under the Loan Agreement shall have happened and be continuing, in any instance where the Borrower in its discretion determines that any items of Equipment or parts thereof have become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary, the Borrower may remove such items of Equipment or parts thereof from the Premises and sell, trade in, exchange, or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Issuer therefor, so long as the value of such Equipment does not exceed five percent of the value of the Project, and provided that the Borrower shall either:

(i) substitute and install anywhere in the Building or on the Premises items of replacement equipment or related property having equal or greater value or utility (but not necessarily having the same function) in the operation of the Property for the purpose for which it is intended, provided such removal and substitution shall not impair the nature of the Property, all of which replacement equipment or related property shall be free of all liens, security interests, and encumbrances (other than Permitted Encumbrances), shall become subject to the security interest of the Security Agreement, and shall be held by the Borrower on the same terms and conditions as the items originally constituting Equipment, or

(ii) not make any such substitution and installation, unless in the case of: (A) the sale of any such Equipment, (B) the trade-in of such Equipment for other machinery, furnishings, equipment, or related property not to become part of the Equipment to become subject to the security interest of the Security Agreement, or (C) any other disposition thereof, the Borrower shall pay to the Trustee the proceeds of such sale or disposition or an amount equal to the credit received upon such trade-in for deposit into the Bond Fund. In the case of the sale, trade-in, or other disposition of any such Equipment to the Borrower or an Affiliate, the Borrower shall pay to the Trustee an amount equal to the greater of the amounts received therefor or the fair market value thereof at the time of such sale, trade-in, or other disposition for deposit into the Bond Fund.

Except to the extent that amounts are deposited into the Bond Fund as provided in the Loan Agreement, the removal from the Project of any portion of the Equipment pursuant to the provisions of this Section shall not entitle the Borrower to any postponement, abatement, or diminution of the Basic Loan Payments payable under the Loan Agreement.

In the event that prior to such removal and disposition of items of Equipment from the Buildings and the Premises, the Borrower has acquired and installed machinery, furnishings, equipment or related property with its own funds which become part of the Equipment and subject to the security interest of the Security Agreement, and which have equal or greater utility, but not necessarily the same functions, as the Equipment to be removed, the Borrower may take credit to the extent of the amount so spent by it against the requirement that it substitute and install other machinery and equipment having equal or greater value. The Borrower shall promptly report to the Trustee each such removal, substitution, sale or other disposition of the Equipment.

Taxes, Other Governmental Charges, and Utility Charges

The Borrower shall pay, as the same become due, (a) all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Property or any machinery, equipment, furnishings or other property installed by the Borrower thereon which, if not paid, will become a lien on the Property prior to or on a parity with the lien and security interest of the Leasehold Deed of Trust or the Security Agreement or a charge on the revenues and receipts therefrom prior to or on a parity with the charge and security interest thereon and the pledge or assignment thereof created and made in the Security Agreement, and

including all ad valorem taxes or payments in lieu of such taxes lawfully assessed upon the Property, (b) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Property, and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Property.

If the Borrower shall first notify the Trustee of its intention so to do, the Borrower may, at its own expense and in good faith, contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments, or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, provided the Borrower shall furnish the Trustee with a bond or provide a cash deposit equal to at least the amount so contested which shall be placed in an account with the Trustee and held and invested, as instructed by the Borrower, for the purposes stated in this paragraph, and an opinion of Independent Counsel stating that by nonpayment of any such items the liens of the Leasehold Deed of Trust, and the Security Agreement will not be materially endangered and neither the Property nor any material part thereof will be subject to imminent loss or forfeiture. The Borrower shall promptly notify the Trustee as to whether or not any such action is stayed, and the proceeds of such bond or cash deposit may be used by the Trustee to satisfy the lien if action is taken to enforce the lien and such action is not stayed. The bond or cash deposit shall be returned to the Borrower if the lien is successfully contested. If the Borrower is unable or otherwise fails to obtain such a bond or provide such a cash deposit and an opinion of Independent Counsel, such taxes, assessments or charges shall be promptly satisfied and discharged by payment thereof. In the event that the Borrower shall fail to pay any of the foregoing items described above to be paid by the Borrower, the Issuer or the Trustee may, but shall be under no obligation to, pay the same, and any amounts so advanced therefor by the Issuer or the Trustee shall become an advance repayable in accordance with the Loan Agreement.

Insurance

The Borrower shall keep the Project or cause the same to be continuously insured against such risks as are customarily insured against with respect to facilities of like size and type, as recommended by an Insurance Consultant, paying or causing to be paid, as the same become due, all premiums in respect thereof, including, but not limited to, the following:

(a) insurance upon the repair or replacement basis in an amount of not less than 100% of the then actual cost of replacement (excluding costs of replacing excavations and foundations, but without deduction for depreciation) of the Project (with deductible provisions not to exceed \$10,000 in any one casualty) against loss or damage by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke and such other risks as are now or hereafter included in the uniform standard extended coverage endorsement in common use for similar structures (including vandalism and malicious mischief);

(b) business interruption insurance (also referred to as “use and occupancy insurance” or “rental income insurance”) covering loss of revenues and other income by the Borrower by reason of total or partial suspension of, or interruption in, the operation of the Project caused by damage or destruction of the Project in an amount not less than the Fixed Charges for the current Fiscal Year;

(c) comprehensive general liability insurance providing insurance (with deductible provisions not to exceed \$10,000 per occurrence) covering all claims for bodily injury and property damage, including not less than \$1,000,000 per occurrence, and \$3,000,000 aggregate for bodily injury or death, to include personal and advertising injury, general aggregate, products and completed operations aggregate insurance, and contract liability to cover all insurable obligations in the Ground Lease;

(d) commencing on the date any vehicle is acquired or hired by the Borrower, automobile liability insurance providing insurance (with deductible provisions not to exceed \$10,000 per occurrence) to the extent of not less than \$1,000,000 per accident covering liability out of the use of any vehicle of the Borrower for such vehicles used in conjunction with the Project, whether owned, non-owned, or hired, and including personal injury protection and uninsured motorist protection in the minimum statutory limits where required by law;

(e) insurance under the Federal Flood Insurance Program shall be maintained at all times within the minimum requirements and amounts required for federally financed or assisted loans under the Flood Disaster Protection Act of 1973, as amended, if the Project is eligible under such program;

(f) commencing on the date an employee of the Borrower is hired for the Project, workers' compensation coverage or other coverage covering all of the Borrower's employees on the campus of the College, as required by the laws of the State, including, with respect to workers' compensation insurance, Coverage B-Employer's liability limits of: bodily injury by accident - \$500,000 each accident; and bodily injury by disease - \$500,000 each employee. The Borrower will require all subcontractors performing work on the Project under the Ground Lease to obtain an insurance certificate showing proof of workers' compensation insurance;

(g) to the extent that the Project contains a steam boiler, boiler explosion insurance on steam boilers, if any, pressure vessels, and pressure piping in an amount not less than 100% of the then actual cost of replacement (excluding costs of replacing excavations and foundations but without deduction for depreciation) of the Project (with deductible provisions not to exceed \$10,000 in any one occurrence) provided, that such insurance need not be taken out until steam boilers, pressure vessels, or pressure piping are installed in the Project;

(h) fidelity bonds or employee dishonesty insurance in the amount of \$100,000 for all officers, agents, and employees of the Borrower with the responsibility of handling General Revenues; and

(i) additional umbrella or all risk coverage in an amount of Ten Million Dollars (\$10,000,000) in the aggregate relating to the insured coverages required by (c), (d) and (f) hereof.

An Insurance Consultant shall be designated by the Borrower on or before the execution and delivery of the Loan Agreement, and at all times during the Agreement Term. The Borrower shall procure from the Insurance Consultant a recommendation every three years as to the advisability of increasing or decreasing any of the insurance or the coverages described above, and the Borrower has agreed to follow such recommendations of the Insurance Consultant. Proceeds of insurance shall be applied as provided in the Loan Agreement. See "**SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Destruction and Damage**" herein. The Loan Agreement requires that all policies of insurance provide for payment to the Issuer, the Borrower, and the Trustee as their respective interests may appear, the policies required by (c), (d), (f) and (i) above name the Trustee, Issuer and Ground Lessor as additional insureds, and that the policies required by (a), (e), and (g) above name the Trustee as mortgagee.

Destruction and Damage

(a) In the event that the Project is destroyed or damaged (in whole or in part) by fire or other casualty, the Borrower shall, unless the Bonds are paid in full from the Net Proceeds resulting from such destruction or damage, be obligated to continue to make the Loan Payments and shall not be entitled to any postponement, abatement, or diminution thereof.

(b) If such Net Proceeds are less than \$250,000, all such Net Proceeds shall be paid to the Borrower and the Borrower shall repair, replace, rebuild, restore, and/or re-equip the Project promptly to substantially the same condition thereof as existed prior to the event causing such destruction or damage with such changes, alterations, and modifications (including the substitution and addition of other property) as may be desired by the Borrower and as will not impair the value or the character of the Project. In the event the Net Proceeds are not sufficient to pay in full the costs of any such repair, replacement, rebuilding, restoration, and re-equipping, the Borrower shall nonetheless complete said work and shall pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

(c) If such Net Proceeds are in excess of \$250,000, all such insurance proceeds shall be paid to the Trustee and deposited and held in the Insurance Fund to be applied in one or more of the following ways as shall be directed in writing by the Authorized Borrower Representative:

(i) such Net Proceeds may be applied to the restoration of the Project to substantially the same condition thereof as existed prior to such destruction or damage; or

(ii) such Net Proceeds may be applied to the acquisition of other suitable land and the acquisition, by construction or otherwise, to the extent permitted by applicable law, of improvements consisting of a building or buildings, facilities, furnishings, machinery, equipment, or other properties suitable for the Borrower's operations at the Property as conducted prior to such destruction or damage (which improvements shall be deemed a part of the Property and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as provided in the Loan Agreement to the same extent as if such improvements were specifically described in the Loan Agreement); provided (A) that

such improvements and properties shall be acquired by the Borrower subject to no liens, security interests, or encumbrances prior to or on a parity with the liens and security interest of the Leasehold Deed of Trust, other than Permitted Encumbrances, (B) such improvements and properties must be approved in writing by the Authorized Issuer Representative, which approval shall not be unreasonably withheld, and (C) the Borrower shall enter into amendments to the Leasehold Deed of Trust and the Security Agreement and shall enter into an assignment of contract documents in favor of the Issuer, if applicable, to identify such improvements and properties as part of the Property and to subject such improvements and properties to the liens and the security interests created by the Leasehold Deed of Trust and the Security Agreement and such assignment of contract documents, if applicable; or

(iii) such Net Proceeds may be transferred to the Redemption Fund within 180 days following such event (or, if the Net Proceeds are received after the expiration of such 180 day period, within 90 days following receipt of the Net Proceeds) to be applied pursuant to the Indenture to the redemption of the Bonds; provided, that no part of any Net Proceeds may be applied to such redemption unless the requirements of the Loan Agreement have been met; or

(iv) such Net Proceeds may be applied in some combination permitted by the foregoing clauses (i), (ii), and (iii) of this subsection (c) if so directed by the Authorized Borrower Representative.

(d) Any balance of such Net Proceeds remaining after application pursuant to subsection 7.01(c) of the Loan Agreement (i) shall be transferred to the Redemption Fund to be applied to the redemption of Bonds on an Interest Payment Date pursuant to the Indenture as described in the Official Statement under the heading “THE SERIES 2014 BONDS — Redemption - *Extraordinary Redemption*,” and, (A) if any Additional Bonds have been issued, and (B) if such Additional Bonds may be redeemed at the option of the Borrower, pursuant to the provisions of the supplemental indenture or indentures relating thereto permitting such optional redemption, on the earliest date on which Bonds may be so redeemed or (ii) if no Bonds then remain Outstanding, shall be paid to the Borrower.

Condemnation

(a) In the event that title to or the temporary use of the Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, the Borrower shall, unless the Bonds are paid in full from the award made in such eminent domain proceedings, be obligated to continue to make the Loan Payments and shall not be entitled to any postponement, abatement, or diminution thereof.

(b) Except for Net Proceeds received by the Borrower for property not included in the Premises, the Issuer, the Borrower, and the Trustee shall cause the Net Proceeds received by them or any of them from any award made in such eminent domain proceedings to be paid to the Trustee and deposited and held in the Condemnation Fund to be applied in one or more of the following ways as shall be directed in writing by the Authorized Borrower Representative:

(i) such Net Proceeds may be applied to the restoration of the Property to substantially the same condition thereof as existed prior to the exercise of the said power of eminent domain; or

(ii) such Net Proceeds may be applied to the acquisition of other suitable land and the acquisition, by construction or otherwise, to the extent permitted by applicable law, of improvements consisting of a building or buildings, facilities, furnishings, machinery, equipment, or other properties suitable for the Borrower’s operations at the Property as conducted prior to such taking (which improvements shall be deemed a part of the Property and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as provided in the Loan Agreement to the same extent as if such improvements were specifically described herein); provided (A) that such improvements and properties shall be acquired by the Borrower subject to no liens, security interests, or encumbrances prior to or on a parity with the liens and security interest of the Leasehold Deed of Trust, other than Permitted Encumbrances, (B) such improvements and properties must be approved in writing by the Authorized Issuer Representative, which approval shall not be unreasonably withheld, and (C) the Borrower shall enter into amendments to the Leasehold Deed of Trust and the Security Agreement and shall enter into an assignment of contract documents in favor of the Issuer, if applicable, to identify such improvements and properties as part of the Project and to subject such improvements and properties to the liens and the security interests created by the

Leasehold Deed of Trust and the Security Agreement and such assignment of contract documents, if applicable; or

(iii) such Net Proceeds may be transferred to the Redemption Fund within 180 days following such event (or, if the Net Proceeds are received after the expiration of such 180 day period, within 90 days following receipt of the Net Proceeds) to be applied pursuant to the Indenture to the redemption of Bonds; provided, that no part of any such condemnation award may be applied to such redemption unless the requirements of the Loan Agreement have been met; or

(iv) such Net Proceeds may be applied in some combination permitted by the foregoing clauses (i), (ii), and (iii) of this subsection (b) if so directed by the Authorized Borrower Representative.

(c) Any balance of the Net Proceeds of the award in such eminent domain proceedings remaining after application pursuant to subsection (b) of Section 7.02 of the Loan Agreement (i) shall be transferred to the Redemption Fund to be applied to the redemption of Bonds on an Interest Payment Date pursuant to the Indenture as described in the Official Statement under the heading “THE SERIES 2014 BONDS - Redemption - *Extraordinary Redemption*,” and, (A) if any Additional Bonds have been issued, and (B) if such Additional Bonds may be redeemed at the option of the Borrower, pursuant to the provisions of the supplemental indenture or indentures relating thereto permitting such optional redemption, on the earliest date on which Bonds may be so redeemed or (ii) if no Bonds then remain Outstanding, shall be paid to the Borrower.

Release of Certain Land and Subordination

If no Event of Default under the Loan Agreement shall have happened and then be continuing, the Borrower is permitted to release and remove from the Leasehold Deed of Trust any part (or interest in such part) of the Premises with respect to which the Ground Lessor proposes to convey fee title to a public utility or public body in order that utility services or public services may be provided to the Property, or for the purpose of effecting the subordination of the lien of the Leasehold Deed of Trust to rights granted to a public utility or public body in order that utility services or public services may be provided to the Property; provided, that if at the time any such amendment is made any of the Bonds are Outstanding and unpaid, the Borrower shall deposit with the Trustee the following:

(a) a resolution of the Board of Directors of the Foundation, as sole member of the Borrower (i) giving an adequate legal description of that portion of the Premises to be released or subordinated, (ii) stating the purpose for which the Borrower desires the release or subordination, (iii) requesting such release or subordination, and (iv) approving an appropriate amendment to the Leasehold Deed of Trust,

(b) a copy of the said amendment as executed,

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

(d) a copy of the instrument conveying the title to or subordinating the lien of the Leasehold Deed of Trust in favor of a public utility or public body, and

(e) a certificate of a Consulting Architect, dated not more than sixty (60) days prior to the date of release or subordination and stating that, in the opinion of the person signing such certificate, (i) the portion of the Premises so proposed to be released or with respect to which the subordination is proposed is necessary or desirable in order to obtain utility services or public services to benefit the Property and (ii) the release or subordination so proposed to be made will not impair the usefulness of the Project as a student housing facility and will not destroy the means of ingress thereto and egress therefrom.

If such release or subordination relates to a part of the Premises on which transportation or utility facilities are located, the Borrower shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project as a student housing facility.

Additional Bonds

(a) Additional Bonds may be issued by the Issuer, to provide funds to pay any one or more of the following: (i) the costs of making such Additions or Alterations in, on, or to the Project as the Borrower may deem necessary or desirable and as will not impair the nature of the Project as a student housing facility and as will be located on the Premises, (ii) to refund any Bonds, and (iii) in each such case, the costs of the issuance and sale of the Additional Bonds and capitalized or funded interest for such period and such other costs reasonably related to the financing as shall be agreed upon by the Borrower and the Issuer, including funding the Debt Service Reserve Requirement for such Additional Bonds, if required. If the Borrower is not in default under the Loan Agreement, the Issuer shall, on request of the Borrower, from time to time use its best efforts to issue the amount of Additional Bonds specified by the Borrower; provided, that the terms of such Additional Bonds, the purchase price to be paid therefor, and the manner in which the proceeds therefrom are to be disbursed shall have been approved in writing by the Borrower, provided, that the sale of any Additional Bonds shall be the sole responsibility of the Borrower, and provided further that the Borrower and the Issuer shall have entered into an amendment to the Loan Agreement to provide for additional basic loan payments in an amount at least sufficient to pay principal of and interest on the Additional Bonds when due and to provide for any additional terms or changes to the Loan Agreement required because of such Additional Bonds, and provided further that the Issuer shall have otherwise complied with the provisions of Section 211 of the Indenture with respect to the issuance of such Additional Bonds.

(b) Whenever Additional Bonds are issued for the purpose of financing the cost of Additions or Alterations to the Project, the Borrower shall cause to be prepared and filed with the Trustee a certificate of the Borrower approved by a Consulting Architect setting forth the estimated cost of the proposed Additions or Alterations to the Project, including an allowance for contingencies, the estimated date on which such Additions or Alterations will be placed in service or completed, and the amount, if any, provided or to be provided by the Borrower from other sources toward payment of the costs of such Additions or Alterations to the Project and the manner in which such funds will be provided.

(c) Whenever Additional Bonds are issued for the purpose of financing the cost of Additions or Alterations to the Project, the Borrower shall cause to be prepared and filed with the Underwriter and the Trustee:

(i) (A) the certificates or schedules regarding the Fixed Charges Coverage Ratio required to be delivered pursuant to the Loan Agreement evidencing that for each of the two Fiscal Years immediately preceding the issuance or incurrence of the proposed Additional Bonds the Fixed Charges Coverage Ratio of the Borrower was greater than or equal to 1.25 and (B) the forecasted financial statements for each Fiscal Year until such Additions or Alterations are expected to be placed in operation and for the three Fiscal Years immediately following the Fiscal Year in which such Additions or Alterations being paid for with the proceeds of such Additional Bonds are expected to be placed in operation, which give effect to the issuance or incurrence of such Additional Bonds and to the application of the proceeds thereof and resulting additional income from any Additions or Alterations constructed and acquired from such proceeds and which shall be accompanied by an Examination Report and a certificate of the Accountant reporting on such forecasted financial statements or a schedule included in the financial statements to the effect that: (1) the forecasted Fixed Charges Coverage Ratio of the Borrower for each of the three Fiscal Years immediately following the Fiscal Year in which such Additions or Alterations are expected to be placed in operation will be not less than 1.25 and (2) the forecasted Revenue Available for Fixed Charges of the Borrower for each Fiscal Year until such Additions or Alterations are expected to be placed in operation plus any funded interest shall be sufficient to pay the Fixed Charges which relate to the proposed Additional Bonds for each Fiscal Year until such Additions or Alterations are expected to be placed in operation; or

(ii) a written report or opinion of an Accountant to the effect that for each of the three Fiscal Years immediately preceding the issuance or incurrence of the proposed Additional Bonds the Fixed Charges Coverage Ratio, determined by the application of pro forma adjustments to the audited financial statements of the Borrower furnished to the Trustee as required in the Loan Agreement which include the Maximum Annual Debt Service on the proposed Additional Bonds in Fixed Charges of the Borrower for each such Fiscal Year, was greater than or equal to 1.25; or

(iii) the forecasted financial statements for each Fiscal Year until such Additions or Alterations are expected to be placed in operation and for the three Fiscal Years immediately following the Fiscal Year in which such Additions or Alterations being paid for with the proceeds of such Additional Bonds are expected

to be placed in operation, which give effect to the issuance or incurrence of such Additional Bonds and to the application of the proceeds thereof and resulting additional income from any Additions or Alterations constructed and acquired from such proceeds and which shall be (A) accompanied by an Examination Report and (B) accompanied by a certificate of the Accountant reporting on such forecasted financial statements or a schedule included in such financial statements to the effect that: (1) the forecasted Fixed Charges Coverage Ratio of the Borrower for each of the three Fiscal Years immediately following the Fiscal Year in which such Additions or Alterations are expected to be placed in operation will be not less than 1.35 and (2) the forecasted Revenue Available for Fixed Charges of the Borrower for each Fiscal Year until such Additions or Alterations are expected to be placed in operation plus any funded interest shall be sufficient to pay the Fixed Charges which relate to the proposed Additional Bonds for each Fiscal Year until such Additions or Alterations are expected to be placed in operation.

(d) Prior to the issuance of any Additional Bonds to refund any Bonds which results in the refunding and the refinancing of less than all of the then Outstanding Bonds, there shall be furnished to the Trustee:

(i) a written report or opinion of an Accountant to the effect that the debt service requirements on all Bonds (assuming no more Bonds are issued after the proposed refunding) for any Fiscal Year subsequent to the refunding to and including the Fiscal Year of the final maturity of Bonds outstanding prior to the refunding will not, as a result of such refunding or refinancing, exceed the debt service requirements for any such Fiscal Year had such refunding not occurred; or

(ii) (A) the certificates or schedules regarding the Fixed Charges Coverage Ratio required to be delivered pursuant to the Loan Agreement evidencing that for each of the two Fiscal Years next preceding the issuance of the proposed Additional Bonds the Fixed Charges Coverage Ratio of the Borrower was greater than or equal to 1.25 and (B) the forecasted financial statements for the three Fiscal Years immediately following such refunding or refinancing, which give effect to the issuance of such Additional Bonds and to the refunding and which shall be (1) accompanied by an Examination Report and (2) accompanied by a certificate of the Accountant reporting on such forecasted financial statements or a schedule included in such financial statements to the effect that the forecasted Fixed Charges Coverage Ratio of the Borrower for each of the three Fiscal Years immediately following such refunding will not be less than 1.25; or

(iii) a written report or opinion of an Accountant to the effect that for each of the three Fiscal Years next preceding the issuance of the proposed Additional Bonds the Fixed Charges Coverage Ratio of the Borrower, determined by the application of pro forma adjustments to Fixed Charges of the Borrower, as determined from the audited financial statements of the Borrower furnished to the Trustee pursuant to Section 8.07 hereof, which substitute the Maximum Annual Debt Service on the proposed Additional Bonds for the actual debt service on the Bonds proposed to be refunded for each such Fiscal Year, was greater than or equal to 1.25; or

(iv) forecasted financial statements for the three Fiscal Years immediately following such refunding, which give effect to the issuance of such Additional Bonds and to the refunding and which shall be (A) accompanied by an Examination Report and (B) accompanied by a certificate of such Accountant reporting on such forecasted financial statements or a schedule included in such financial statements to the effect that the forecasted Fixed Charges Coverage Ratio of the Borrower for each of the three Fiscal Years immediately following such refunding will not be less than 1.35.

(e) Additional Bonds in an amount not to exceed ten percent (10%) of the principal amount of the Series 2014 Bonds or any Additional Bonds issued or incurred to finance Additions or Alterations may be issued to provide funds to complete such Additions or Alterations without regard to the requirements above.

(f) Any Additional Bonds shall be secured by the lien and security interests granted by the Leasehold Deed of Trust, the Security Agreement and the Assignment of Management Agreement (if applicable) and shall be equal, without preference or priority, to the lien and security interest provided for the Series 2014 Bonds.

(g) The debt service for any Additional Bonds shall be structured so that the debt service payments on such Additional Bonds for any year will not exceed the debt service payments on such Additional Bonds for any other year by more than Fifty Thousand Dollars (\$50,000).

(h) Notwithstanding anything to the contrary contained in the Loan Agreement, no Additional Bonds may be issued unless there is delivered to the Trustee a letter from any Rating Agency then maintain a rating on the Bonds confirming that the rating on the Bonds taking into consideration the issuance of the Additional Bonds will not be reduced or withdrawn.

Option to Prepay the Loan Upon the Occurrence of Certain Extraordinary Events

The Borrower may prepay the Loan as and to the extent that Series 2014 Bonds are to be redeemed under “SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - **Damage and Destruction**” and under “SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - **Condemnation**” herein.

If Borrower chooses to prepay under the circumstances referred to above, the Borrower must prepay the Loan within one hundred eighty (180) days after such event which causes the receipt of the Net Proceeds (or, if the Net Proceeds are received after the expiration of such 180 day period, within 90 days following receipt of the Net Proceeds).

The amount payable by the Borrower in the event of prepayment of the Loan in full shall be the sum of the following:

- (i) an amount of money which, when added to the amount then on deposit in the Bond Fund (and with respect to any Bonds secured by the Debt Service Reserve Fund, in the Debt Service Reserve Fund) and in the Redemption Fund, will be sufficient to retire and redeem all the then Outstanding Bonds on the applicable redemption date provided by the Indenture, including without limitation, principal, all interest to accrue to said redemption date, and redemption expense, but without premium, plus
- (ii) an amount of money equal to the Trustee’s and paying agents’ fees and expenses, including reasonable attorneys’ fees and expenses, under the Indenture accrued and to accrue until such final payment and redemption of the Bonds, plus
- (iii) an amount of money equal to the Issuer’s reimbursable expenses under the Loan Agreement accrued and to accrue until such final payment and redemption of such Bonds.

The amount payable by the Borrower in the event of the prepayment of the Loan in part shall be the sum of the following:

- (i) an amount of money which, when added to the amount then on deposit in the Bond Fund (and with respect to any Bonds secured by the Debt Service Reserve Fund, in the Debt Service Reserve Fund) and in the Redemption Fund, will be sufficient to retire and redeem the Bonds that are to be redeemed on the applicable redemption date provided by the Indenture, including without limitation, principal, all interest to accrue to said redemption date, and redemption expense, but without premium, plus
- (ii) an amount of money equal to the Trustee’s and paying agents’ fees and expenses, including reasonable attorneys’ fees and expenses relating to such redemption, plus
- (iii) an amount of money equal to the Issuer’s reimbursable expenses under the Loan Agreement relating to such redemption.

Option to Prepay Loan in Connection with Optional Redemption

The Borrower shall have the option to prepay the Loan by prepaying Basic Loan Payments due under the Loan Agreement in such manner and amounts as will enable the Issuer to redeem the Series 2014 Bonds prior to maturity in whole on any date, or in part on any Interest Payment Date, as provided in the Indenture. The Basic Loan Payments payable by the Borrower in the event of its exercise of the option granted in this paragraph shall be (i) in the case of partial redemption, the amount necessary to pay principal, all interest to accrue to the redemption date, the applicable redemption premium, as provided in the Indenture, and any redemption expense, and (ii) in the case of a total redemption, the amounts set forth in Article IX of the Indenture and the applicable redemption premium, as provided in the Indenture.

Financial Statements

(a) While the Loan Agreement is in effect, the Borrower shall provide (i) the Trustee and the Underwriter annually, within one hundred (100) days after the end of each Fiscal Year of the Borrower, beginning with the Fiscal Year ending June 30, 2014, the financial statements of the Borrower related to the Project, including its balance sheet, statement of revenue, expenses, and changes in fund balance (deficit), and statement of cash flow, for the year then ended in comparative form for the preceding Fiscal Year, which financial statements shall be accompanied by an Audit Report, and (ii) the Underwriter quarterly, within sixty (60) days from the end of each of the first three (3) fiscal quarters of the Borrower, the unaudited balance sheet, statement of revenue, expenses, and changes in fund balance (deficit), and statement of cash flow of the Borrower related to the Project.

(b) The financial statements to be furnished to the Trustee and the Underwriter, annually pursuant to the Loan Agreement shall be accompanied by (i) a certificate of the Borrower to the effect that the Borrower is not in default under any provisions of the Loan Agreement and has fully complied with all of the provisions thereof, or if the Borrower is in default or has failed to so comply, setting forth the nature of the default or failure to comply, and (ii) a certificate of the Accountant reporting on the financial statements of the Borrower or a schedule included in such financial statements stating the Fixed Charges Coverage Ratio for the Fiscal Year.

Covenants Regarding Maintenance of Borrower's Existence

The Borrower has covenanted that so long as the Loan Agreement is in effect, it (i) will maintain its legal existence as a limited liability company organized under the laws of the State whose sole member is a Tax-Exempt Organization, (ii) will cause the Foundation to maintain its legal existence as a Tax-Exempt Organization, (iii) will not consolidate with or merge into another corporation or permit another corporation to consolidate with or merge into it, and (iv) will not dissolve or otherwise dispose of all or substantially all of its assets, (v) will cause the Foundation to file all required reports and documents with the IRS so as to maintain its status as an organization described in §501(c)(3) of the Code, (vi) will not operate the Project in any manner and shall not engage in any activities or take any action that might reasonably be expected to result in the Foundation's ceasing to be a "501(c)(3) organization," within the meaning of §145 of the Code, and (vii) shall promptly notify the Trustee and the Issuer of any loss of the Foundation's status as a "501(c)(3) organization" or of any investigation, proceeding, or ruling that might result in such loss of status. The Borrower shall preserve and keep in full force and effect all licenses and permits necessary to the proper conduct of its business.

The Borrower may, without violating the covenant described above, consolidate, merge, sell, or otherwise transfer to another Person all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting, or transferee Person (a) is authorized to do business in the State, (b) is a domestic corporation, partnership, or other entity, or if a natural person, is a resident of the United States of America, (c) assumes in writing all of the obligations of the Borrower under the Bond Documents, (d) obtains all licenses and permits required by law to operate the Project, (e) has a fund balance or net worth, as the case may be, as reflected in the pro forma or prospective financial statements required to be furnished to the Underwriter and the Trustee pursuant to the Loan Agreement, not less than the fund balance or net worth, as the case may be, of the Borrower as reflected in the most recent audited balance sheet furnished to the Trustee pursuant to the Loan Agreement, (f) has a Fixed Charges Coverage Ratio not less than that of the Borrower for the two consecutive years prior to such consolidation, merger, sale, or transfer, as determined from the surviving, resultant, or transferee Person's financial statements on a pro forma basis which gives effect to such consolidation, merger, sale, or transfer, which pro forma basis financial statements shall be accompanied by an Audit Report and shall be accompanied by a certificate of the Accountant reporting on such historical pro form basis financial statements stating the Fixed Charges Coverage Ratio for the periods reported on, (g) delivers to the Trustee an opinion of Bond Counsel or a ruling of the Internal Revenue Service to the effect that such consolidation, merger, sale, or transfer will not cause the interest on any Tax-Exempt Bond to become includable in the gross income of the Owner thereof for federal income tax purposes, and (h) has no other assets or liabilities. The Borrower shall preserve and keep in full force and effect all licenses and permits necessary to the proper conduct of its business. Borrower agrees that while the Loan Agreement is in effect it shall not change its name, identity or corporate structure without 30 days' prior notice to the Trustee.

Annual Budget

At least thirty (30) days prior to the first day of each Fiscal Year, commencing with the Fiscal Year beginning July 1, 2014, the Borrower shall prepare the Annual Budget for such Fiscal Year. The Annual Budget shall include

the monthly budgeted Expenses of the Project for such Fiscal Year. If the Borrower fails to prepare the Annual Budget for any Fiscal Year, the Annual Budget for the preceding Fiscal Year shall continue in effect until the Annual Budget is prepared for the remainder of the applicable Fiscal Year.

Promptly following preparation by the Borrower, a copy of each Annual Budget or amendment thereto shall be furnished to the Issuer, the Trustee and the Underwriter. The Annual Budget shall be accompanied by a certificate of the Borrower to the effect that the Fixed Charges Coverage Ratio requirements set forth in the Loan Agreement for the Fiscal Year to which such Annual Budget relates will be met based on the rates, fees, and charges to be instituted and the operating expenses projected for such Fiscal Year.

If the amount of operating expenses budgeted for any Fiscal Year is exceeded by more than fifteen percent (15%), the Borrower shall amend the current Annual Budget by resolution filed with the Issuer and the Trustee declaring that additional expenditures for operating expenses are necessary to operate or maintain the Property and setting forth the reasons for such increased amounts.

Covenant Regarding Manager

The Borrower agrees that for so long as the Loan Agreement is in effect if the Manager (or an affiliate thereof) of the Project ceases to serve as Manager, the Borrower will promptly employ and at all times thereafter employ a recognized manager of student housing facilities which manages, and has for the past five years managed, at least 5,000 beds of student housing facilities, or such other Manager. Prior to entering into a contract with any successor Manager, the Borrower shall first deliver to the Trustee an opinion of Bond Counsel to the effect that the terms of the proposed management contract will not cause interest on any of the Tax-Exempt Bonds to become includable in the gross income of the Owners thereof for federal income tax purposes.

Assignment and Subleasing; Restrictions on Encumbrances

The Borrower may continue to enter into subleases with residents of the Project without complying with the provisions described below other than subparagraph (g) below. The rights and obligations of the Borrower under the Loan Agreement may be assigned and delegated, and the Project may be subleased, as a whole or in part, by the Borrower without the necessity of obtaining the consent of either the Issuer or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than in connection with a consolidation, merger, disposition, or transfer described above under the subheading "Covenants Regarding Maintenance of Borrower's Existence") or sublease shall relieve the Borrower from primary liability for any of its obligations under the Loan Agreement, and in the event of any such assignment or sublease, the Borrower shall continue to remain primarily liable for payment of the Loan Payments and for the payment, performance, and observance of the other obligations and agreements on its part in the Loan Agreement provided to be performed and observed by it.

(b) The assignee shall assume in writing the obligations of the Borrower under the Loan Agreement to the extent of the interest assigned or subleased.

(c) The Borrower shall furnish or cause to be furnished to the Issuer assurances reasonably satisfactory to the Issuer and the Trustee that the Project will continue to be operated as a "project" within the meaning of the Act.

(d) No assignment or sublease with any Person shall be entered into by the Borrower without first furnishing to the Trustee an opinion of Bond Counsel or a ruling from the Internal Revenue Service to the effect that such assignment or sublease will not cause the interest on any Tax-Exempt Bonds to become includable in the gross income of the Owners thereof for federal income tax purposes.

(e) No such assignment or sublease shall give rise to a novation.

(f) The Borrower shall, within thirty (30) days after the execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment or sublease, as the case may be.

(g) All subleases shall contain an attornment clause providing in effect that if at any time during the term of the sublease, the Trustee or the designee of the Trustee, or a subsequent purchaser at a foreclosure sale from the Trustee, shall become the owner of the Project, such sublessee agrees, at the election and upon demand of any owner of the Project, to attorn, from time to time, to any such owner upon the terms and conditions set forth in the

sublease. Such sublessee shall agree, at the request of the person to whom it has attorned, to execute, acknowledge and deliver without charge, from time to time, instruments acknowledging such attornment. The attornment clause shall provide that upon such attornment, the sublease shall continue in full force and effect as, or as if it were, a direct sublease between the successor and the sublessee, except that the successor landlord shall not (i) have any liability for any previous act or omission of a predecessor landlord under the sublease, (ii) be bound by any previous modification of the sublease or by any previous prepayment of more than two month's rent, unless such modification or prepayment shall have been expressly approved in writing by the Issuer and the Trustee, or (iii) have any liability for refusal or failure to perform or complete landlord's work or otherwise prepare the demised premises for occupancy in accordance with the provisions of the sublease.

The Borrower agrees in the Loan Agreement that, except as set forth above, it shall not (a) directly, indirectly, or beneficially sell, convey, or otherwise dispose of any part of its interests in the Project for so long as the Loan Agreement is in effect, (b) permit any part of the Project or the Premises to become subject to any mortgage, lien, claim of title, encumbrance, security interest, conditional sale contract, title retention arrangement, finance sublease, or other charge of any kind, except for Permitted Encumbrances or except as otherwise permitted under the Loan Agreement, and (c) assign, transfer, or hypothecate (other than to the Trustee pursuant to the Leasehold Deed of Trust) any rent (or analogous payment) then due or to accrue in the future under any sublease of the Project or the Premises, except for Permitted Encumbrances or except as otherwise permitted under the Loan Agreement.

Events of Default

The Loan Agreement provides that the occurrence of any one of the following will constitute an "Event of Default":

(a) The Borrower's failure to pay the Basic Loan Payments required to be paid under the Loan Agreement as described under the subheading "Loan Payments and Other Amounts Payable" and continuing for a period of five (5) days after notice by mail, facsimile transmission, or personal delivery, in the manner provided in the Loan Agreement, given to the Borrower by either the Trustee or the Issuer, that the payment referred to in such notice has not been received, or, without regard to notice, the Borrower's failure to pay the amounts required to be paid pursuant to the Loan Agreement at the time specified therein, and continuing for a period of ten (10) days (8 days in the case of Basic Loan Payments due in February) after any such amount becomes due under the Loan Agreement, whichever occurs first.

(b) The Borrower's breach in any material respect of any representation or warranty contained in the Loan Agreement or the Borrower's failure to observe, perform, or comply with any covenant, condition, or agreement in the Loan Agreement on the part of the Borrower to be observed or performed, (other than as referred to in (a) above or certain covenants relating to the Continuing Disclosure Agreement), for a period of thirty (30) days after written notice specifying such breach or failure and requesting that it be remedied, given to the Borrower by the Issuer or the Trustee, unless the Trustee shall agree in writing to an extension of such time period prior to its expiration. In the case of any such breach or default which cannot with due diligence be cured within such thirty (30) day period but can be wholly cured within a period of time not materially detrimental to the rights of the Trustee, it shall not constitute an Event of Default if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the breach or default is corrected in accordance with and subject to any directions or limitations of time established in writing by the Trustee which are delivered to the Borrower.

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

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

(e) The occurrence of an event of default under any of the Bond Documents other than the Continuing Disclosure Agreement.

Remedies

Upon the occurrence and continuation of an Event of Default, the Issuer or the Trustee, as the assignee of the Issuer, to the extent permitted by law, may take any one or more of the following remedial steps:

(a) The Trustee, as assignee of the Issuer, may at its option and upon the direction of a Majority of the Bondholders, shall declare all unpaid installments of Basic Loan Payments payable under the Loan Agreement for the remainder of the Agreement Term to be immediately due and payable, whereupon the same shall become immediately due and payable;

(b) In the event any of the Bonds at the time shall be outstanding and unpaid, the Trustee may have access to and inspect, examine, and make copies of the books and records and any and all accounts, similar data, and income tax and other tax returns of the Borrower;

(c) The Trustee, as assignee of the Issuer, may from time to time take whatever action at law or in equity or under the terms of the Bond Documents may appear necessary or desirable to collect the Loan Payments described herein under the subheading "Loan Payments and Other Amounts Payable" and other amounts payable by the Borrower or due to become payable thereafter under the Loan Agreement or to enforce performance and observance of any obligation, agreement, or covenant of the Borrower under the Loan Agreement.

Amounts collected pursuant to actions described above shall be applied in accordance with the provisions of the Indenture, or if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and the Borrower has paid all amounts due under the Loan Agreement, then any amounts remaining shall be paid to the Borrower.

The Trustee, on behalf of the Issuer, may waive any Event of Default under the Loan Agreement and its consequences or rescind any declaration of acceleration of payments of the Basic Loan Payments due hereunder, but only upon direction of a Majority of the Bondholders, if such acceleration was at the direction of such Holders. In case of any such waiver or rescission, or in case any proceeding taken by the Issuer or the Trustee on account of any such Event of Default shall be discontinued or abandoned or determined adversely to the Issuer or the Trustee, then and in every such case the Issuer and the Borrower shall be restored to their former position and rights under the Loan Agreement, but no such waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Amendments

See the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Amendment of Other Bond Documents" herein.

SUMMARY OF CERTAIN PROVISIONS OF THE LEASEHOLD DEED OF TRUST

Introduction

The Leasehold Deed of Trust and Assignment of Rents and Leases, dated as of February 1, 2014, from the Borrower to the individual deed of trust trustees named therein for the benefit of the Issuer, provides security for the Borrower's obligations under the Loan Agreement.

Security

To secure its obligations under the Loan Agreement, the Borrower will execute and deliver to the Issuer the Leasehold Deed of Trust pursuant to which the Borrower has conveyed to the individual deed of trust trustees named therein, for the benefit of the Issuer, first security title in and to the Borrower's the following described property (collectively, the "**Mortgaged Property**") subject to Permitted Encumbrances:

(a) all of the Borrower's estate and other interest, rights, privileges and benefits (but excluding any of the Borrower's obligations under) the Ground Lease, together with all other interests, rights, privileges and benefits relating to the Premises which the Borrower may own or hereafter acquire;

(b) all right, title and interest of the Borrower in and to the Buildings;

(c) all right, title and interest of the Borrower in and to all easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights, minerals, flowers, shrubs, crops, trees, timber and other emblements now or hereafter located on the Premises or under or above the same or any part or parcel thereof, and all estates, rights, titles, interests, tenements, hereditaments, appurtenances, reversions and remainders whatsoever, in any way belonging, relating or appertaining to the Property or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by the Borrower;

(d) all right, title and interest of the Borrower in all furnishings, furniture, fixtures, machinery, apparatus, equipment, fittings, appliances, building supplies and materials, vehicles (excluding personal automobiles), chattels, goods, consumer goods, farm products, inventory, warranties, chattel paper, documents, accounts, general intangibles, trade names, trademarks, service marks, logos (including any names or symbols by which the Property is known) and goodwill related thereto, and all other articles of personal property of every kind and nature whatsoever, tangible or intangible, now, heretofore or hereafter arising out of or related to the ownership of the Property, or acquired with proceeds of any loan secured by the Leasehold Deed of Trust, or located in, on or about the Property, or used or intended to be used with or in connection with the construction, use, operation or enjoyment of the Property;

(e) all right, title and interest of the Borrower (but excluding any of the Borrower's obligations) in any and all leases, rental agreements and arrangements of any sort now or hereafter affecting the Project or any portion thereof and providing for or resulting in the payment of money to the Borrower for the use of the Project or any portion thereof, whether the user enjoys the Project or any portion thereof as tenant for years, invitee, licensee, tenant at sufferance or otherwise, and irrespective of whether such leases, rental agreements and arrangements be oral or written, and including any and all extensions, renewals and modifications thereof (the "*Leases*") and guaranties of the performance or obligations of any tenants or lessees thereunder (the "*Tenants*"), together with all income, rents, issues, profits and revenues from the Leases (excluding any and all tenant security deposits, but including all other tenant deposits, whether held by the Borrower in a trust account, and all other deposits and escrow funds relating to any Leases), and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law, as well as in equity, of the Borrower of, in and to the same, and all of the Borrower's right, title and interest in and to the Ground Lease; provided, however, that although the Leasehold Deed of Trust contains a present, current, unconditional and absolute assignment of all of said income, rents, issues, profits and revenues, the Borrower and the Issuer have agreed that so long as there shall exist no Default under the Leasehold Deed of Trust, the Borrower shall have a revocable license to collect and deposit with the Trustee in accordance with the Indenture, routine rental payments and revenues which do not relate to periods more than one month after collection, it being agreed that the Issuer shall be entitled at all times to possession of all other income, rents, issues, profits and revenues (including deposits), and it being further agreed that upon the occurrence of a Default under the Leasehold Deed of Trust such license shall be automatically revoked without the necessity of further action by the Issuer;

(f) all right, title and interest of the Borrower (but excluding any of the Borrower's obligations), in, to and under all franchise agreements, management contracts, service contracts, utility contracts, leases of equipment, documents and agreements relating to the construction of any future Buildings (including any and all construction contracts, architectural contracts, engineering contracts, designs, plans, specifications, drawings, surveys, tests, reports, bonds and governmental approvals) and all other contracts, licenses and permits now or hereafter affecting the Project or any part thereof and all guaranties and warranties with respect to any of the foregoing (the "*Contracts*");

(g) all right, title and interest of the Borrower in any insurance policies or binders now or hereafter relating to the Project, including unearned premiums thereon;

(h) all right, title and interest of the Borrower in any and all awards, payments, proceeds and the right to receive the same, either before or after any foreclosure under the Leasehold Deed of Trust, as a result of any temporary or permanent injury or damage to, taking of or decrease in the value of the Project by reason of casualty, condemnation or otherwise;

(i) all right, title and interest of the Borrower in all utility, escrow and all other deposits (and all letters of credit, certificates of deposit, negotiable instruments and other rights and evidence of rights to cash) now or hereafter relating to the Project or the operation thereof, including all credit deposits, options, privileges and rights of the Borrower, as lessee under the Ground Lease;

(j) all right, title and interest of the Borrower in all cash funds, deposit accounts, certificates of deposit, negotiable instruments and other rights and evidence of rights to cash, now or hereafter created under or held by the Issuer pursuant to the Loan Agreement or pursuant to any other of the Bond Documents, including any account into which any portion of the Deed of Trust Indebtedness may be disbursed by the Issuer;

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

(l) all right, title and interest of the Borrower in and to all extensions, additions, improvements, betterments, renewals and replacements, substitutions, or proceeds of any of the foregoing; and all inventory, accounts, chattel paper, documents, instruments, equipment, fixtures, farm products, consumer goods, general intangibles and other property of any nature constituting proceeds acquired with proceeds of any of the property described hereinabove; all of which foregoing items are hereby declared and shall be deemed to be a portion of the security for the indebtedness and obligations herein described, a portion of the above described collateral being located upon the Premises.

The Issuer will assign its rights under the Leasehold Deed of Trust to the Trustee as security for the Bonds.

Option to Cure Default under Ground Lease

Upon receipt by the Issuer from the Ground Lessor of any written notice of default by the Borrower thereunder, the Issuer may rely thereon and take such action as the Issuer deems necessary or desirable to cure such default even though the existence of such default or the nature thereof be questioned or denied by the Borrower or by any other party. The Borrower expressly grants to the Issuer in the Leasehold Deed of Trust, and agrees that the Issuer shall have, subject to the Ground Lease, the absolute and immediate right to enter in and upon the Premises or any part thereof to such extent and as often as the Issuer, in its sole but reasonable discretion, deems necessary or desirable to prevent or to cure any such default by the Borrower. The Issuer may, but shall not be obligated to, pay and expend such sums of money as the Issuer in its sole but reasonable discretion deems necessary for any such purpose, and the Borrower agrees in the Leasehold Deed of Trust to pay such sums to the Issuer, together with interest thereon from the date of each such payment at the default rate set forth in the Loan Agreement. All sums so paid by the Issuer, and the interest thereon, shall be added to and become a part of the Deed of Trust Indebtedness secured by the Leasehold Deed of Trust.

Defaults and Remedies

The term "Default", wherever used in the Leasehold Deed of Trust, shall mean any one or more of the following events:

(a) failure by the Borrower to pay any portion of the Deed of Trust Indebtedness when due; or

(b) the breach or failure by the Borrower of any material warranty or representation contained in the Leasehold Deed of Trust; or

(c) the breach or failure by the Borrower to perform, observe and satisfy all other terms, covenants, conditions and agreements contained in the Leasehold Deed of Trust or in any of the other Bond Documents (other than a failure to pay the Deed of Trust Indebtedness when due) for a period of thirty (30) days after written notice

specifying such breach or failure and requesting that it be remedied, given to the Borrower by the Issuer or the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration. In the case of any such breach or default which cannot with due diligence be cured within such thirty (30) day period but can be wholly cured within ninety (90) days, it shall not constitute a default if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the breach or default is corrected within such ninety (90) day period or the breach or failure by the Borrower to perform, observe and satisfy all other terms, covenants, conditions and agreements contained in any other of the Bond Documents, or any material information relating to the Deed of Trust Indebtedness or the Bond Documents given to Issuer by the Borrower or any partner or officer of the Borrower, or by any other party on behalf of or at the request of the Borrower, being untrue or misleading in any material respect; or

(d) a levy is made under any process on the Mortgaged Property or any part thereof or any other property of the Borrower and is not dismissed within sixty (60) days; or

(e) the admission in writing by the Borrower of the inability to pay debts generally as they become due; or

(f) the Borrower, pursuant to or within the meaning of the Bankruptcy Code, Title 11 U.S.C., or any other present or future federal, state or other common laws, case law, statute or regulation relating to bankruptcy, insolvency, appointment of receivers or custodians, dissolution, or other relief for debtors (i) commences a voluntary case, or (ii) consents to or is subject to the entry of any order for relief against it in an involuntary case, or (iii) remains a debtor in an involuntary case for sixty (60) days after the commencement of such case, or (iv) consents to or is subject to the appointment of a receiver, trustee, liquidator, custodian or other party serving a similar function for the Mortgaged Property or any other property of the Borrower, or (v) makes a general assignment for the benefit of creditors, or (vi) becomes insolvent, or (vii) is subject to the entry of an order for the liquidation of the Borrower; or

(g) a final adjudication of any claim of priority to the Leasehold Deed of Trust, by title, lien or otherwise in any legal or equitable proceeding; or

(h) the Borrower (if a corporation or limited liability company) commences the process of liquidation or dissolution or its charter expires or is revoked, or the Borrower (if a partnership or business association) commences the process of dissolution or partition, or the Borrower (if a trust) commences the process of termination or expires; or

(i) the subjection of the Mortgaged Property to actual or threatened waste, or the removal, demolition, or alteration (except to the extent permitted in the Loan Agreement) of any part thereof without the prior written consent of the Issuer; or

(j) any mechanic's, materialmen's, laborer's, statutory or other lien is filed against the Mortgaged Property or any portion thereof and not totally released or removed as a lien against the Mortgaged Property and every part thereof (by bonding, payment or otherwise) within twenty (20) days after the Borrower has actual knowledge of the filing thereof; or

(k) any suit shall be filed against the Borrower which, if adversely determined, could reasonably be expected substantially to impair the ability of the Borrower to perform each and every one of its respective obligations under the Bond Documents, and such suit is not dismissed with prejudice within sixty (60) days of the filing thereof; or

(l) all or a substantial portion of the Mortgaged Property shall be damaged or destroyed to such an extent that the Mortgaged Property or a substantial portion thereof is not susceptible to restoration or repair; or

(m) all or any substantial portion of the Premises shall be taken by condemnation or through forfeiture proceedings, or any portion of the Premises shall be damaged by or taken through condemnation or through forfeiture proceedings and the value of the Premises shall, in the discretion of the Issuer, be materially diminished, either temporarily or permanently; or

(n) the institution of any proceeding seeking the forfeiture of the Premises or any portion thereof or any interest therein as a result of any criminal or quasi-criminal activity by the Borrower (or any person so related to the Borrower or the Premises such that the Premises or any portion thereof or any interest therein might be forfeited on account of the activity of such person); or

(o) the failure or inability (whether imposed by law or otherwise) of the Borrower to make any payment required under the Leasehold Deed of Trust; or

(p) the failure of any one or more of the Bond Documents to be legal, valid, binding upon and enforceable against all parties thereto (other than the Issuer), or the claim by any party (other than the Issuer) to any one or more of the Bond Documents is not legal, valid, binding upon and enforceable against all parties thereto (other than the Issuer); or

(q) a default shall have occurred under the Ground Lease, and such default is not cured within any applicable cure or grace period.

If a Default shall have occurred, then the entire Deed of Trust Indebtedness or any portion thereof as selected by the Issuer, shall, at the option of the Issuer, immediately become due and payable without notice or demand, time being of the essence, and the Issuer, at its option, may do (or instruct the Deed of Trust Trustee to do) any one or more of the following (and, if more than one, either concurrently or independently, and in such order as the Issuer may determine in its discretion), all without regard to the adequacy or value of the security for the Deed of Trust Indebtedness:

(r) Enter upon and take possession of the Mortgaged Property and exclude the Borrower and its agents and employees from all or any part of the Mortgaged Property, together with the books, papers and accounts of the Borrower pertaining thereto, without the appointment of a receiver, or an application therefor; and at its option, to hold, operate, store, use, control and manage the same and conduct the business thereof or employ a managing agent of the Mortgaged Property; and at its option, exercise any one or more of the rights and powers of the Borrower to the same extent as the Borrower could, either in its own name, or in the name of the Borrower; and receive the rents, incomes, issues and profits of the Mortgaged Property. The Issuer shall have no obligation to discharge any duties of a landlord to any tenant or to incur any liability as a result of any exercise by the Issuer of any rights under the Leasehold Deed of Trust; and the Issuer shall not be liable for any failure to collect rents, issues, profits or revenues, nor liable to account for any rents, issues, profits or revenues unless actually received by the Issuer.

(s) Apply, as a matter of strict right, without notice except as otherwise provided herein and without regard to the solvency of any party bound for its payment, for the appointment of a receiver to take possession of and to operate the Mortgaged Property and to collect and apply the incomes, rents, issues, profits and revenues thereof, and the Borrower hereby consents to the appointment of such a receiver.

(t) Pay, perform or observe any term, covenant or condition of the Leasehold Deed of Trust and any of the other Bond Documents and all payments made or costs or expenses incurred by the Issuer in connection therewith shall be secured hereby and shall be, without demand, immediately repaid by the Borrower to the Issuer with interest thereon at the default rate provided in the Loan Agreement. The necessity for any such actions and the amounts to be paid shall be determined by the Issuer in its discretion.

(u) Subject to the terms of the Ground Lease, institute a proceeding for the foreclosure of the Leasehold Deed of Trust, or sell by power of sale, all or any portion of the Mortgaged Property.

SUMMARY OF CERTAIN PROVISIONS OF THE SECURITY AGREEMENT

Introduction

The Security Agreement, dated as of February 1, 2014, from the Borrower to the Issuer, provides security for the Borrower's obligations under the Loan Agreement.

Security

To secure its obligations under the Loan Agreement, the Borrower will execute and deliver to the Issuer a Security Agreement pursuant to which the Borrower will grant to the Issuer a first priority security interest in (a) the General Revenues, (b) the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership and operation of the Project, including, but not limited to, all amounts due from residents of the Project (except any tenants' security deposits), (c) the Equipment, (d) all of the inventory located at the Project, (e) all accounts, books, records, and other property relating or referring to any of the foregoing and (f) all proceeds of any of the foregoing. The Issuer will assign its rights under, and will grant a security interest in, the Security Agreement to the Trustee as security for the Bonds.

Remedies

Upon an Event of Default under the Security Agreement, the Trustee, as the assignee of the Issuer may exercise all the rights and remedies permitted under the Loan Agreement or otherwise permitted in law or at equity, to protect and dispose of the collateral secured thereby and to protect its rights to payment under the Loan Agreement, and all of the rights and remedies of a secured party on default under the Pennsylvania Uniform Commercial Code and the Maryland Uniform Commercial Code and may require the Borrower, at the Borrower's own expense, to gather or assemble all or part of the collateral under the Security Agreement not in possession of the Issuer as directed by the Issuer and make it available at a place designated by the Issuer and, without notice other than that required by law or specified in the Security Agreement, sell the collateral at public or private sale. In addition, the Borrower shall deposit with Trustee, as assignee of Issuer, as received, the General Revenues. Any cash held by the Trustee as collateral and all cash proceeds received by the Trustee in respect of any sale of, collection from, or other realization upon all or any part of the collateral subject to the Security Agreement shall be applied as provided in the Indenture. See "**CERTAIN BONDHOLDERS RISKS - Pledge, Assignment, and Grant of Security Interest in Future Revenues**" in the Official Statement.

SUMMARY OF CERTAIN PROVISIONS OF THE ASSIGNMENT OF MANAGEMENT AGREEMENT

Introduction

The Assignment of Management Agreement, dated as of February 1, 2014, from the Borrower to the Issuer, provides security for the Borrower's obligations under the Loan Agreement.

Security

To secure the Borrower's obligations under the Loan Agreement, the Borrower will execute and deliver to the Issuer an Assignment of Management Agreement pursuant to which the Borrower will grant to the Issuer a first priority security interest in (a) the Management Agreement, (b) all accounts, books, records and other property relating to the foregoing, and (c) all proceeds of any of the foregoing thereunder. The Issuer will assign its rights under, and will grant a security interest in, the Assignment of Management Agreement to the Trustee as security for the Bonds.

Remedies

Upon an Event of Default under the Assignment of Management Agreement, the Trustee, as the assignee of the Issuer may exercise all the rights and remedies provided in the Assignment of Management Agreement, which include a present assignment of the Borrower's rights and privileges (but not its obligations), and the Manager's rights and privileges (but not its obligations), in the document described above. The Trustee as assignee of the Issuer shall have the right, power, and privilege (but shall be under no duty) immediately to exercise all the rights and privileges of the Borrower and the Manager, as each of the same may appear thereunder and to apply any moneys paid thereunder as provided in the Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Introduction

The Indenture is a contract for the benefit of the Owners which specifies the terms and details of the Series 2014 Bonds and which defines the security therefor.

Establishment of Funds

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

Revenue Fund

Bond Fund

Issuance Cost Fund

Bond Proceeds Fund

Debt Service Reserve Fund

Repair and Replacement Fund

Insurance Fund and Condemnation Fund

Operating Reserve Fund

Surplus Fund

Redemption Fund

Rebate Fund

The Management Agreement establishes an Operating Fund (referred to therein as the “Operating Account”) which is held by the Manager on behalf of the Borrower to pay for the operating expenses of the Project. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS**” and “**THE MANAGEMENT AGREEMENT**” in the Official Statement.

Bond Fund

The Bond Fund shall be used as a fund to pay the principal of, and premium, if any, and interest on the Bonds. There shall be deposited into the Bond Fund the monthly payments derived from the Loan Agreement and all other moneys received by the Trustee under and pursuant to the Loan Agreement for deposit in the Bond Fund. Moneys on deposit in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds, for the redemption of Bonds at or prior to maturity the Bonds, and to purchase Bonds in the open market. However, in the event of an Event of Default under the Indenture, the Trustee may use moneys in the Bond Fund to pay the fees and expenses of the Trustee prior to the making of any payments to the Bondholders.

Issuance Cost Fund

The Issuance Cost Fund is a trust fund used to pay Issuance Costs and will be funded with proceeds of the sale of the Series 2014 Bonds. See “**ESTIMATED SOURCES AND USES OF FUNDS**” in the Official Statement. The amounts held in the Issuance Cost Fund will be disbursed by the Trustee to pay Issuance Costs upon receipt of a requisition for payment substantially in the form attached to the Indenture executed by the Authorized Borrower Representative, setting forth the nature of the Issuance Costs to be paid and the name of the payee and certifying that the amounts being paid are properly includable within the definition of Issuance Costs. If any moneys remain in the Issuance Cost Fund after the payment of all Issuance Costs, upon receipt by the Trustee of a certificate of the Borrower stating that all Issuance Costs have been paid, the Trustee shall transfer any remaining funds therein to the Bond Fund.

Bond Proceeds Fund

The Bond Proceeds Funds is a trust fund to be funded solely with proceeds of the Series 2014 Bonds on the Closing Date. On the Closing Date, the Trustee shall transfer from the Bond Proceeds Fund the sum of \$_____ to be applied to the redemption, in accordance with the 2000 Indenture, of all of the outstanding Series 2000A Bonds.

Insurance Fund and Condemnation Fund

The Insurance Fund and the Condemnation Fund are trust funds into which Net Proceeds of insurance or condemnation awards, respectively, are to be deposited and used in accordance with the terms of the Loan Agreement. See “**SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT - Damage and Destruction**” and “**— Condemnation**” herein.

Redemption Fund

The Redemption Fund is a trust fund into which moneys will be deposited upon the occurrence of certain events described in the Loan Agreement and the Indenture. Moneys in the Redemption Fund will be used only to redeem Bonds or to pay the principal of Bonds or to pay that portion of the purchase price of Bonds corresponding to principal in the manner specified in the Indenture.

Rebate Fund

The Rebate Fund is a trust fund which only will be created at such time as it is determined that there are Excess Earnings. Any amounts credited to the Rebate Fund will be free and clear of the lien of the Indenture and will be used to pay amounts required to be rebated to the United States Treasury pursuant to §148(f) of the Code.

Investments

Any moneys held in the Revenue Fund, the Bond Fund, the Issuance Cost Fund, the Debt Service Reserve Fund, the Bond Proceeds Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operating Reserve Fund, the Surplus Fund, the Redemption Fund, the Rebate Fund, reserves in connection with contested liens, or other special or trust funds created under the Indenture or other accounts or funds held by the Trustee, shall be invested and reinvested by the Trustee, at the written direction of and as specified by the Borrower in Permitted Investments, to the extent permitted by law.

Moneys in the Revenue Fund, the Issuance Cost Fund, the Bond Proceeds Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operating Reserve Fund, the Surplus Fund, and any other accounts or funds held by the Trustee will be invested only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from each such respective fund as may be specified by an Authorized Borrower Representative; moneys in the Bond Fund will be invested only in Permitted Investments maturing or redeemable at the option of the holder not later than the next succeeding principal, mandatory sinking fund redemption, or Interest Payment Date of the Bonds; moneys in the Redemption Fund will be invested only in Permitted Investments maturing or redeemable at the option of the holder not later than the next succeeding principal, mandatory sinking fund redemption, or Interest Payment Date of the Bonds and at a yield which is not greater than the yield on the Tax-Exempt Bonds for the redemption of which such moneys have been deposited therein; moneys in the Debt Service Reserve Fund up to the Debt Service Reserve Requirement will be invested only in Permitted Investments maturing or redeemable at the option of the holder not later than five years from the date of purchase thereof, provided, however, that repurchase agreements for Government Obligations may have a term longer than five years; and moneys in the Rebate Fund will be invested only in Government Obligations maturing, or subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, on or before the date or dates when the payments for which such moneys are held are to become due.

Additional Bonds

As described under “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS - Additional Bonds,**” if certain conditions contained in the Loan Agreement and the Indenture are met, Additional Bonds may be issued under and secured by the Indenture to provide funds to pay any one or more of the following: (a) the costs of making Additions or Alterations in, on, or to the Project which will not impair the nature of the Project as a student housing facility and as will be located on the Premises, (b) to refund any Bonds, and (c) in each such case, the costs of the issuance and sale of the Additional Bonds, capitalized or funded interest, and other costs reasonably related to the financing as shall be agreed upon by the Borrower and the Issuer, including funding the Debt Service Reserve Requirement for such Additional Bonds, if required. See also “**SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Additional Bonds**” herein.

Events of Default

Each of the following is an Event of Default within the meaning of the Indenture:

- (a) failure to make due and punctual payment of any interest on any Bond,
- (b) failure to make due and punctual payment of the principal of any Bond (or premium thereon, if any), whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon maturity thereof by declaration,
- (c) the occurrence of an “Event of Default” under any of the Bond Documents other than the Continuing Disclosure Agreement,
- (d) any material breach by the Issuer of any representation or warranty made in the Indenture or failure in the performance or observance of any other covenants, agreements, or conditions on the part of the Issuer contained in the Indenture (other than as described in (a) and (b) above) or in the Bonds contained; provided that no such failure described under this paragraph (d) shall constitute an Event of Default until actual written notice of such failure by registered or certified mail shall be given by the Trustee, or by not less than a Majority of the Bondholders to the Borrower and the Issuer, and the Borrower and the Issuer shall have had thirty (30) days after receipt of such notice to correct said failure or cause said failure to be corrected and shall not have corrected said default or caused said default

to be corrected within the applicable period; provided, however, if said failure be such that it cannot with due diligence be cured within the applicable period but can be wholly cured within a period of time not materially detrimental to the rights of the Trustee, it shall not constitute an Event of Default if corrective action is instituted by the Borrower or the Issuer, as the case may be, within the applicable period and diligently pursued until the failure is corrected in accordance with and subject to any directions or limitations of time established in writing by the Trustee which are delivered to the Borrower and the Issuer.

Remedies

If an Event of Default described in paragraphs (a) or (b) above shall occur and be continuing, the Trustee may, and at the direction of a Majority of the Bondholders shall, by notice in writing delivered to the Issuer and the Borrower, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become immediately due and payable. If an Event of Default described in paragraphs (c) or (d) above shall occur and be continuing, the Trustee may, and upon the written request of the Owners of the Majority of the Bondholders shall, by notice in writing delivered to the Issuer and the Borrower, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any declaration of acceleration under the Indenture, the Trustee, on behalf of the Issuer, shall immediately declare all installments of Basic Loan Payments due under the Loan Agreement to be immediately due and payable in accordance with the Loan Agreement.

The provisions described in the preceding paragraph are subject to the condition that if, after the principal of all Bonds then Outstanding shall have been so declared to be due and payable, all arrears of interest upon such Bonds and the principal and redemption premium, if any, on all Bonds then Outstanding which shall have become due and payable otherwise than by acceleration, and all other sums payable under the Indenture, except the principal of and interest on the Bonds which by such declaration shall have become due and payable, shall have been paid by or on behalf of the Issuer, together with the reasonable expenses of the Trustee and of the Owners of such Bonds, including reasonable attorneys' fees paid or incurred, and the Loan Agreement shall be in full force and effect, then and in every such case, but if a Majority of the Bondholders shall have made the written request described in the preceding paragraph, only upon the written approval of a Majority of the Bondholders, the Trustee may annul such declaration of maturity and its consequences, which waiver and annulment shall be binding upon all Bondholders; but no such waiver, rescission, and annulment shall extend to or affect any subsequent default or impair or exhaust any right, power, or remedy consequent thereon. In the case of any such annulment, the Issuer, the Trustee, and the Bondholders shall be restored to their former positions and rights under the Indenture.

If an Event of Default occurs and is continuing, the Trustee shall have the power to proceed with any available right or remedy granted by the Bond Documents or the Constitution and laws of the State, as it may deem best, including foreclosure sale under the Leasehold Deed of Trust and any suit, action, mandamus or special proceeding in equity or at law or in bankruptcy or otherwise for the collection of all amounts due and unpaid under the Bond Documents, for the specific performance of any covenant or agreement in the Bond Documents, or the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect its rights and the rights of Owners, insofar as such may be authorized by law.

No Owner will have the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture or under the Bond Documents, unless (i) a failure has occurred of which the Trustee has been notified under the Indenture, (ii) such failure shall have become an Event of Default, (iii) Majority of the Bondholders shall have made written request to the Trustee and provided the required indemnity for the Trustee and shall have offered reasonable opportunity either to proceed to exercise its powers under the Indenture or to institute such action, suit, or proceeding in its own name, and (iv) the Trustee shall thereafter fail or refuse to exercise its powers granted under the Indenture or to institute such action, suit, or proceeding in its, his, her, or their own name or names.

Anything in the Indenture to the contrary notwithstanding, the Majority of the Bondholders, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, and provided the Trustee is indemnified pursuant to the Indenture to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or in connection with the appointment of a receiver or in connection with any other proceedings under the Indenture.

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

If an Event of Default occurs and is continuing, and if requested so to do by a Majority of the Bondholders and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers as described above as the Trustee, being advised by counsel (if it so chooses), shall deem most expedient in the interests of the Bondholders.

No lien, right, or remedy by the terms hereof conferred upon or reserved or otherwise available to the Trustee or to the Bondholders is intended to be or shall be construed to be exclusive of any other available lien, right, or remedy, but each and every such lien, right, or remedy shall be cumulative and shall be in addition to any other lien, right, or remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right, power, or remedy accruing upon any Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, but every such right, power, or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon. The giving, taking, or enforcement of any other or additional security, collateral, or guarantee for the payment of the Bonds shall not operate to prejudice, waive, or affect the Security or any rights, powers, or remedies under the Indenture, nor shall the Trustee be required to first look to, enforce, or exhaust such other additional security, collateral, or guarantees.

Application of Moneys

Upon the occurrence of an Event of Default and if moneys held by the Trustee are insufficient to pay the principal of, and premium, if any, and interest on the Bonds, all moneys received and held by the Trustee pursuant to the Indenture as Security, except for moneys held in the Bond Fund and the Redemption Fund which, subject to the payment of fees, charges and expenses of the Trustee, as provided in the Indenture, shall solely secure Bonds, and all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and payment of the expenses, liabilities, and any advances incurred or made by the Trustee, be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment of the ordinary fees, Ordinary Expenses of the Trustees, extraordinary fees and Extraordinary Expenses of the Trustee, and the costs and compensation of any advances

made by the Trustee and any receiver and the reasonable attorneys' fees of the Trustee or any receiver;

SECOND - To the payment of the costs and compensation of any advances made by the Issuer and the reasonable attorney's fees of the Issuer and to the payment of Expenses and for reasonable renewals, repairs and replacements of the Project necessary to prevent impairment of the Trust Estate;

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

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

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

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied first to the items described in paragraph FIRST of the preceding subsection (a), then to the items described in paragraph SECOND of the preceding subsection (a), and then to the payment to the Bondholders entitled thereto of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto without any discrimination or privilege.

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

(d) Whenever moneys are to be applied pursuant to the provisions of paragraphs Third, Fourth and Fifth of clause (a) above, moneys in the Debt Service Reserve Funds shall be applied only to the Series 2014 Bonds and any Additional Bonds secured thereby.

Discharge; Release

The Indenture will remain in full force and effect until the principal of and interest on the Bonds have been fully paid and all other payments required by the Indenture and the Loan Agreement have been made. All Outstanding Bonds of any series shall, prior to the maturity or redemption date thereof, be deemed to have been paid and defeased if (i) there shall have been irrevocably deposited with the Trustee, in trust, either moneys in an amount which shall be sufficient, along with any other funds or investments held by the Trustee and available therefor, or Government Obligations not redeemable by the issuer thereof, the principal of and interest on which when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the

same time, shall be sufficient, to pay when due the principal or redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and an amount equal to the Trustee's and any paying agents' necessary and proper fees, compensation, and expenses under the Indenture accrued and to accrue until such redemption or maturity date, (ii) in the event such Bonds are to be redeemed and are subject to immediate redemption, the Borrower shall have given the Trustee in form satisfactory to it written instructions to give notice of redemption of such Bonds as provided in Section 303 of the Indenture, (iii) in the event said Bonds are to be redeemed and are not by their terms subject to redemption within the next succeeding sixty (60) days, the Borrower shall have given the Trustee in form satisfactory to it irrevocable written instructions to (a) give notice of redemption of such Bonds as provided in Section 303 of the Indenture not less than thirty (30) nor more than sixty (60) days prior to a date on which such Bonds are subject to redemption and (b) give, as soon as practicable in the same manner as a notice of redemption of such Bonds as provided in Section 303 of the Indenture, a notice to the Owners of such Bonds stating that the deposit required by (i) above has been made with the Trustee, stating that said Bonds are deemed to have been paid in accordance with Article IX of the Indenture, and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on such Bonds, (iv) in the event said Bonds to be redeemed are not by their terms subject to redemption within the next succeeding sixty (60) days, unless there shall have been delivered funds sufficient to pay the principal or redemption price, if applicable, and interest due and to become due on such Bonds without taking into account any investment earnings, there shall have been submitted to the Issuer and the Trustee a certificate of an Accountant or other verification agent with a favorable reputation in the field of verifying defeasance escrows to the effect that the deposit required by (i) above will provide funds sufficient to pay when due the principal or redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (v) there shall have been submitted to the Issuer and the Trustee an opinion of Bond Counsel to the effect that the defeasance of the Bonds in accordance with Article IX of the Indenture will not cause interest on any Tax-Exempt Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

Amendment of the Indenture

The Issuer and the Trustee may, without the consent of or notice to any of the Owners, enter into an amendment to the Indenture or an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any error, ambiguity or formal defect or omission in, or to correct or supplement any defective provision of, the Indenture,
- (b) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in the Indenture other covenants, agreements, limitations and restrictions to be observed by the Issuer for the protection of the Owners,
- (c) to evidence the appointment of a separate trustee or a co-trustee or the succession of a new trustee or the appointment of a new or additional paying agent or bond registrar,
- (d) to grant or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, benefits, security, liabilities, duties or authority that may lawfully be granted to or conferred or imposed upon the Owners or the Trustee or either of them,
- (e) to subject to the lien and security interest of the Indenture additional revenues, properties or collateral,
- (f) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state, 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 the Trust Indenture Act of 1939, as amended, or any similar federal statute,
- (g) to modify, amend or supplement the Indenture in such manner as to assure the continued exclusion of the interest on any Tax-Exempt Bonds from the gross income of the Owners thereof for federal income tax purposes,

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

(i) to reflect a change in applicable law, provided that the Trustee shall determine that such supplemental indenture does not prejudice the rights of Bondholders,

(j) to obtain or maintain any ratings on the Bonds (if any ratings apply) from any Rating Agency, if any such amendment to the Indenture has no material adverse effect upon the Bondholders,

(k) in connection with any other change herein which, in the judgment of the Trustee (which may be in reliance upon an opinion of counsel), does not prejudice or materially adversely affect the Bondholders or impair the Security, or

(l) to provide for the issuance of certificated Bonds or Bonds in Book-Entry Form.

The Issuer and the Trustee shall, without the consent of or notice to any of the Owners, enter into an indenture or indenture supplemental to the Indenture (a) in connection with the issuance of any Additional Bonds in accordance with the Indenture and the inclusion of additional Security in connection therewith, (b) to the extent necessary with respect to the land and interests in land, buildings, furnishings, machinery, equipment and all other real and personal property which may form a part of the Project, so as to more precisely identify the same or to substitute or add additional land or interests in land, buildings, furnishings, machinery, equipment or real or personal property as Security, or (c) with respect to any changes required to be made in the description of the Security in order to conform with similar changes made in the Loan Agreement.

Exclusive of amendments and indentures supplemental to the Indenture described above under this subheading “**Amendment of the Indenture**,” the Owners of the Requisite Number of Bondholders shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of an amendment or amendments to the Indenture or such indenture or indentures supplemental thereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing contained in the Indenture shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or a reduction in the rate or an extension of the time of payment of interest on, or a reduction of any premium payable on the redemption of, any Bonds, without the consent of every Owner of such Bonds, or (b) the creation of any lien or security interest (other than any Permitted Encumbrances, exclusive of liens securing Additional Bonds permitted by the Loan Agreement and the Indenture) prior to or on a parity with the lien and security interest of the Indenture, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, or (c) a reduction in the amount, or an extension of the time of any payment, required by the mandatory sinking fund redemption provisions of the Indenture, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, or (d) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such supplemental indenture, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, or (e) the modification of trusts, powers, obligations, remedies, privileges, rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (f) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (g) the release of or requirements for the release of the Indenture, without the consent of the Owners of all of the Bonds at the time Outstanding which would be affected by the action to be taken. Any such amendment as described in this paragraph is also subject to the prior written consent of the Ground Lessor.

Amendment of Other Bond Documents

The Issuer and the Trustee shall, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Bond Documents other than the Indenture as may be required (a) by the provisions of the Loan Agreement or the Indenture, (b) in connection with the issuance of Additional Bonds as provided in the Indenture, (c) for the purpose of curing any error, ambiguity or formal defect or omission therein, or to correct or supplement any defective provision thereof, (d) in connection with the land and interests in land, buildings, machinery, equipment or other real or personal property described in Exhibits “A” and “B” to the Loan Agreement so as to identify more precisely the same or to substitute or add additional land or interests in land, buildings, machinery, equipment or other real or personal property, (e) so as to add additional rights acquired in accordance with the provisions of the Bond Documents, (f) to substitute a new “borrower” under the Loan Agreement as provided in

therein, (g) to comply with any provisions of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or any rules or regulations promulgated thereunder, or (h) in connection with any other change therein which, in the judgment of the Trustee (which may rely on an opinion of counsel), does not prejudice the Trustee or materially adversely affect the Owners.

Except for the amendments, changes, or modifications described in the preceding paragraph, neither the Issuer nor the Trustee shall consent to any other amendment, change, or modification of the Bond Documents or any of them other than the Indenture without giving notice to and obtaining the written approval or consent of the Requisite Number of Bondholders; provided, however, that nothing in the Indenture shall permit or be construed as permitting, (i) an extension of the time for payment of any amounts payable under the Loan Agreement or a reduction in the amount of any payment or in the total amount due under the Loan Agreement, without the consent of every Owner of Bonds affected thereby or (ii) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment, change, or modification of such other Bond Documents, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken.

Lien of the Trustee under the Indenture

Under the Indenture, the Trustee is granted a first lien, superior to the lien securing the Bonds, to secure payment of the Trustee's fees and expenses.

The Trustee

Duties of the Trustee. The Trustee, prior to the occurrence of an Event of Default and after the waiver or curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall 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 man would exercise or use under the circumstances in the conduct of his own affairs.

Right of Trustee to Perform Duties Through Others. The Trustee may execute any of the trusts or powers under the Indenture and perform any of its duties by or through attorneys, accountants, agents, receivers, or employees, and shall not be responsible for the acts of any attorneys, accountants, agents, or receivers appointed by it in good faith and without gross negligence, and shall be entitled to advice of counsel concerning all matters of trusts of the Indenture and the duties thereunder and may in all cases pay such reasonable compensation to all such attorneys, accountants, agents, receivers, and employees as may be reasonably employed in connection with the trusts of the Indenture. The Trustee may act upon the opinion or advice of any attorneys (who may be the attorney or attorneys for the Issuer or the Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action taken in good faith in reliance upon such opinion or advice.

Reliance on Notices, Requests, etc. The Trustee shall be protected in acting in good faith upon any notice, request, resolution, consent, certificate, order, affidavit, letter, or other paper or document, or oral communication or direction, reasonably believed to be genuine and correct and to have been signed or sent or given by the proper person or persons.

As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper, or proceedings, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by the Authorized Issuer Representative or by the Executive Director and upon a certificate signed on behalf of the Borrower by the Authorized Borrower Representative or by its President and attested by its Secretary as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in the Indenture or of which by the Indenture it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

Notice of Default. The Trustee shall not be required to take notice or be deemed to have notice of any failure on the part of the Issuer to comply with the terms of the Indenture or the Borrower to comply with the terms of the Loan Agreement except (a) failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article V of the Indenture, and (b) failure by the Borrower to make any of the Loan Payments to the Trustee required to be made under the Loan Agreement, unless the Trustee shall have actual notice or shall be specifically notified in writing of such failure by the Issuer or by the Majority of the Bondholders.

Notice to Bondowners if Payment Default Occurs. If a failure to comply occurs of which the Trustee is required to take notice or if notice of failure to comply is given to the Trustee as provided in the Indenture, the Trustee shall give notice to the Borrower and the Issuer as provided in the Indenture and the Loan Agreement and shall give written notice thereof by first-class mail, within fifteen (15) days (unless such default is cured or waived), to the Owners of all Bonds then Outstanding shown by the Bond Register, provided that, except in the case of failure to make due and punctual payment of the principal of, premium, if any, or interest on any Bond, the Trustee may withhold such notice to the Bondholders if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders.

Resignation by the Trustee. The Trustee and any successor trustee may at any time resign from the trusts created by the Indenture by giving thirty (30) days' written notice to the Issuer, to the Borrower, and, by first-class (postage prepaid) registered or certified mail, to each Bondholder shown on the Bond Register, and such resignation shall take effect at the appointment of a successor trustee pursuant to the provisions of the Indenture and acceptance by the successor trustee of such trusts. If no successor trustee shall have been so appointed by the Bondholders within thirty (30) days after delivery of such notices, a temporary trustee may be appointed by the Issuer in accordance with the Indenture. In the event that no successor trustee is appointed and has accepted appointment within thirty (30) days of the giving of written notice by the resigning trustee as aforesaid the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee.

Removal of the Trustee. The Trustee may be removed at any time (a) by the Issuer for any breach of the trusts set forth in the Indenture or for failure or refusal to act as trustee, or (b) by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer and signed by the Owners of a Majority of the Bondholders, or (c) if no Event of Default under the Loan Agreement or the Indenture has occurred and is continuing, by an instrument delivered to the Trustee and the Issuer signed by the Borrower. Removal of the Trustee pursuant to (a) or (b) above shall not be effective until the Trustee is paid for all Ordinary Services and Extraordinary Services of the Trustee rendered under the Indenture and for all Ordinary Expenses and Extraordinary Expenses of the Trustee incurred under the Indenture.

Appointment of Successor Trustee: Temporary Trustee. In case the Trustee hereunder shall (i) resign or be removed or (ii) be dissolved or shall be in the course of dissolution or liquidation, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court or otherwise become incapable of acting hereunder, a successor may be appointed by an instrument executed and signed by the Authorized Issuer Representative under seal and executed by an officer of the Borrower; provided, that if a successor trustee is not so appointed within ten (10) days after notice of resignation is mailed or an instrument of removal is delivered as provided under the Indenture, or within ten (10) days of the Issuer's knowledge of any of the events specified in (ii) hereinabove, then the a Majority of the Bondholders, by an instrument or concurrent instruments in writing signed by or on behalf of such Owners, delivered personally or sent by registered or certified mail to the Issuer and the Borrower, may designate a successor trustee. Until a successor trustee shall be appointed by the Bondholders in the manner above provided, the Issuer, by resolution and upon written notice to the Borrower, shall appoint a temporary trustee to fill such vacancy, and any such temporary trustee so appointed by the Issuer shall immediately and without further act be superseded by the successor trustee so appointed by the Bondholders. Notice of the appointment of a successor trustee shall be given in the same manner as with respect to the resignation of the Trustee. Every such successor trustee appointed pursuant to the provisions of this paragraph shall be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing within or outside the State, shall be eligible to serve as trustee, bond registrar, and paying agent under applicable law, shall be duly authorized to exercise trust powers and subject to examination by federal or state authority, shall have, together with its parent entity, if applicable, a reported combined capital, surplus, and undivided profits of not less than Seventy-Five Million Dollars (\$75,000,000), and shall be an institution willing, qualified, and able to accept the trusteeship upon the terms and conditions hereof.

In case at any time the Trustee shall resign and no appointment of a successor trustee shall be made pursuant to the foregoing provisions of the Indenture prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the Owner of any Bond or the resigning Trustee may apply to any court of competent jurisdiction to appoint a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor Trustee.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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(Closing Date)

Maryland Economic Development Corporation
Baltimore, Maryland

\$ _____
Maryland Economic Development Corporation
Student Housing Refunding Revenue Bonds
(Allegany College of Maryland Project)
Series 2014

We have acted as bond counsel to Maryland Economic Development Corporation, a body politic and corporate and public instrumentality of the State of Maryland (the "Issuer"), in connection with the issuance by the Issuer of its \$ _____ Student Housing Refunding Revenue Bonds (Allegany College of Maryland Project), Series 2014 (the "Series 2014 Bonds").

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein. This opinion is dated as of the date of issuance and delivery of the Series 2014 Bonds.

Unless the context clearly indicates otherwise, each capitalized term used in this opinion shall have the same meaning as set forth in the Series 2014 Bonds and in the Trust Indenture dated as of February 1, 2014 by and between the Issuer and Manufacturers and Traders Trust Company, as Trustee (the "Indenture").

The Issuer is issuing the Series 2014 Bonds at the request of Allegany College Housing, LLC (the "Borrower") to provide funds to (i) currently refund the Issuer's \$8,035,000 Maryland Economic Development Corporation Student Housing Revenue Bonds (Allegany College of Maryland Project), Series 2000A, and (ii) pay the costs of issuance in respect of the Series 2014 Bonds. The Borrower is required to make payments under a Loan Agreement dated as of February 1, 2014 (the "Loan Agreement") with the Issuer in amounts sufficient to pay, among other things, the principal or redemption price of and interest on the Series 2014 Bonds.

We refer you to the Series 2014 Bonds and to the Indenture for a description of the security for the Series 2014 Bonds, the manner in which and times at which the principal of and interest on the Series 2014 Bonds are payable, the interest rate payable on the Series 2014 Bonds, the provisions under which the Series 2014 Bonds may be redeemed prior to their stated maturity, and all other details of the Series 2014 Bonds.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon representations of the Borrower and the Issuer contained in the Loan Agreement and the Indenture, the certified proceedings of the Issuer, and certifications by the officers, employees and representatives of the Borrower and the Somerset County Campus Foundation for Allegany College of Maryland (the "Foundation"), which is the sole member of the Borrower.

In the Tax Compliance Agreement dated the date hereof (the "Tax Agreement"), executed by the Issuer, the Borrower and the Foundation, the Foundation has represented that it is (a) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), (b) not a "private foundation" within the meaning of Section 509(a) of the Code, (c) exempt from federal income tax under Section 501(a) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code and (d) the sole member of the Borrower. Further, the Foundation has covenanted that it will remain the sole member of the Borrower so long as the Series 2014 Bonds remain Outstanding. The Borrower has covenanted that, throughout the term of the Loan Agreement, it will not carry on or permit to be carried on in any property now or hereafter owned by it any trade or business if the conduct of such trade or business would adversely affect the validity of the Series 2014 Bonds or cause

the interest paid by the Issuer on the Series 2014 Bonds to be includable in gross income for purposes of federal income tax.

The Code sets forth certain other requirements which must be met subsequent to the issuance and delivery of the Series 2014 Bonds for interest thereon to remain excludable from the gross income of the owners of the Series 2014 Bonds for federal income tax purposes as qualified 501(c)(3) bonds under the Code. The Issuer, the Borrower and the Foundation have covenanted to comply with such requirements in the Indenture, the Loan Agreement and the Tax Agreement. Noncompliance with such requirements may cause the interest on the Series 2014 Bonds to be includable in the gross income of the owners of the Series 2014 Bonds for federal income tax purposes, retroactive to the date of issue of the Series 2014 Bonds or as of some later date. The Borrower has also covenanted in the Tax Agreement that it will comply with the requirements of Section 148(f) of the Code which provides for the rebate of certain arbitrage profits to the United States. For the purposes of the opinions set forth below, we have assumed that the Issuer, the Borrower and the Foundation will comply with the covenants set forth in the Indenture, the Loan Agreement and the Tax Agreement relating to the tax-exempt status of the Series 2014 Bonds.

Reference is made to the opinion of McGuireWoods LLP, counsel to the Borrower and the College, and to the opinion of Fike, Cascio & Boose, counsel to the Foundation, with respect to certain matters pertaining to the Borrower, the Foundation, the Bond Documents, and other documents executed and delivered in connection with the Series 2014 Bonds by the Borrower and the Foundation. We have relied upon such opinions with respect to the status of the Foundation as an organization described in Section 501(c)(3) of the Code, and as to the other matters set forth therein. We express no opinion as to any of the matters set forth in such opinions.

We do not express any opinion herein concerning any law other than the law of the State of Maryland and the federal law of the United States.

We have not examined, and express no opinion as to, the existence of or title to real or personal property, and, except as expressly stated herein, we express no opinion as to the creation, validity or priority of any lien upon, assignment of, pledge of or security interest in any real or personal property. It is the responsibility of the Trustee to continue or maintain the perfection, priority or validity of any liens, assignments, security interests or pledges created as security for the Series 2014 Bonds.

In connection with this opinion, we have not reviewed or examined any financial information or other information with respect to the Borrower or the Project or any offering material relating to the Series 2014 Bonds, the Borrower or the Project, and we express no opinion relating thereto herein.

This opinion does not constitute or imply a recommendation of the market or financial value of the Series 2014 Bonds or an assessment of the strength or appropriateness of the covenants by any of the parties to any of the Bond Documents, the possibility of default (other than on account of the invalidity of the Series 2014 Bonds), the eligibility or suitability of the Series 2014 Bonds as an investment, or any other legal or financial aspect of the Series 2014 Bonds not expressly addressed herein.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

Based upon, and subject to, the foregoing, and on the basis of existing law, it is our opinion, as of the date hereof, that:

1. The Issuer is a validly created and existing body politic and corporate and public instrumentality of the State of Maryland with full power and authority under the laws of the State of Maryland, including the Act, to issue and sell the Series 2014 Bonds and to enter into and perform its obligations under the Indenture.
2. The Series 2014 Bonds have been duly and properly authorized, executed and delivered by the Issuer, and upon authentication and delivery by the Trustee as required by the Indenture, will (a) constitute the valid and legally binding special, limited obligations of the Issuer, (b) be enforceable against the Issuer in accordance with their terms and (c) be entitled to the benefit and security of the Indenture to the extent provided therein.
3. The Indenture has been duly and properly authorized, executed and delivered by the Issuer, and, assuming the due and proper authorization, execution and delivery thereof by the Trustee, constitutes the valid and legally binding limited obligation of the Issuer and is enforceable against the Issuer in accordance with its terms.

4. The Loan Agreement has been duly and properly authorized, executed and delivered by the Issuer, and, assuming the due and proper authorization, execution and delivery thereof by the Borrower constitutes the valid and legally binding limited obligation of the Issuer and is enforceable against the Issuer in accordance with its terms.

5. Pursuant to the Indenture, the Issuer has effectively pledged and assigned the Trust Estate to the Trustee for the benefit of the owners of the Series 2014 Bonds as security for the Series 2014 Bonds as provided in the Indenture. Pursuant to the Act, such pledge and assignment is valid and binding against any person having a claim against the Issuer in tort, contract or otherwise, regardless of whether the person has notice of the pledge or assignment; and such pledge and assignment has priority over the claim.

6. By the terms of the Act, the Series 2014 Bonds and the interest payable thereon are forever exempt from all Maryland state and local taxes, but the terms of the Act do not expressly refer to estate or inheritance taxes, or to any other taxes not levied or assessed directly on the Series 2014 Bonds, or the interest thereon, their transfer or the income therefrom.

7. Interest on the Series 2014 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2014 Bonds, assuming the accuracy of the certifications of the Issuer, the Borrower and the Foundation and continuing compliance by the Issuer, the Borrower and the Foundation with the requirements of the Code. Interest on the Series 2014 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Series 2014 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

We express no opinion regarding other federal tax consequences of ownership or disposition of or the accrual or receipt of interest on the Series 2014 Bonds.

The Series 2014 Bonds maturing in the years [_____] are offered at a discount (“original issue discount”) equal generally to the difference between the public offering price and the principal amount. For federal income tax purposes, original issue discount on a Series 2014 Bond accrues periodically over the term of the Series 2014 Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder’s tax basis in the Series 2014 Bond for determining taxable gain or loss from sale or from redemption prior to maturity.

The Series 2014 Bonds maturing in the year [_____] are offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2014 Bond through reductions in the holder’s tax basis for the Series 2014 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss.

THE SERIES 2014 BONDS AND INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL AND REDEMPTION PRICE OF AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE SERIES 2014 BONDS NOR THE INTEREST THEREON NOR THE REDEMPTION PRICE THEREOF IS A DEBT, LIABILITY OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER. THE ISSUANCE OF THE SERIES 2014 BONDS IS NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY A MORAL OR OTHER OBLIGATION OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER, TO LEVY OR PLEDGE ANY TAX OR TO MAKE ANY APPROPRIATION TO PAY THE SERIES 2014 BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF MARYLAND, ANY GOVERNMENTAL UNIT THEREOF OR THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON, OR THE REDEMPTION PRICE OF, THE SERIES 2014 BONDS. THE ISSUER HAS NO TAXING POWER.

THE OBLIGATIONS OF THE ISSUER UNDER THE BONDS, THE INDENTURE, THE LOAN AGREEMENT, AND THE OTHER BOND DOCUMENTS ARE ALSO LIMITED AS PROVIDED THEREIN.

The rights of any purchaser of the Series 2014 Bonds and the enforceability of the Series 2014 Bonds, the Indenture, the Loan Agreement and any other agreements or obligations referred to herein are subject to (i) the

exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance; (ii) the valid exercise of the constitutional powers of the United States of America and of the sovereign police and taxing powers of state or other governmental units having jurisdiction; and (iii) bankruptcy, insolvency, reorganization, moratorium or other similar laws heretofore or hereafter in effect affecting creditors' rights, to the extent constitutionally applicable.

Very truly yours,

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated as of February 1, 2014, is executed and delivered by Allegany College Housing, LLC (the “Borrower”), Manufacturers and Traders Trust Company (the “Dissemination Agent”) and Manufacturers and Traders Trust Company, as trustee (the “Bond Trustee”), in connection with the issuance by Maryland Economic Development Corporation (the “Issuer”) of its Student Housing Refunding Revenue Bonds (Allegany College of Maryland Project) Series 2014 (the “Bonds”). The Bonds are being issued pursuant to the Indenture described below.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Borrower, the Dissemination Agent and the Bond Trustee for the benefit of the holders and Beneficial Owners (defined below) of the Bonds and in order to assist RBC Capital Markets, LLC (the “Participating Underwriter”) in complying with the Rule (defined below). The Borrower, the Dissemination Agent and the Bond Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required to be provided under this Agreement, and has no liability to any person, including (without limitation) any holder or Beneficial Owner of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Agreement, together with any generally accepted cover sheet or similar transmittal document.

“Beneficial Owner” shall mean any person that (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.

“Disclosure Representative” shall mean such person or persons as the Borrower shall designate in writing to the Dissemination Agent and the Bond Trustee from time to time.

“Dissemination Agent” shall mean the Bond Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and that has filed with the Bond Trustee a written acceptance of such designation.

“EMMA” shall mean the continuing disclosure service established by the Municipal Securities Rulemaking Board known as the Electronic Municipal Market Access (EMMA) system as provided at <http://www.emma.msrb.org>, or any other similar system acceptable to or as may be specified by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board from time to time.

“Indenture” shall mean the Trust Indenture dated as of February 1, 2014, by and between the Issuer and the Bond Trustee, as amended and supplemented from time to time.

“Listed Events” shall mean any of the events referred to or listed in Section 5(a) of this Agreement.

“Loan Agreement” shall mean the Loan Agreement dated as of February 1, 2014, by and between the Issuer and the Borrower, as amended and supplemented from time to time.

“Official Statement” means the Official Statement relating to the Bonds.

“Participating Underwriter” shall mean the original Participating Underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

SECTION 3. Provision of Annual and Other Reports.

(a) The Borrower shall provide, or shall cause the Dissemination Agent to provide, not later than December 1 after the end of each of the Borrower's fiscal years (currently July 1 through June 30) (and with respect to any other fiscal year, not later than the first (1st) day of the sixth month after the end of such fiscal years) commencing with the report for the fiscal year ending June 30, 2014, to EMMA, an Annual Report that is consistent with the requirements of Section 4 of this Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement. By way of illustration, so long as the Borrower's fiscal year ends on June 30, the Annual Report for such fiscal year shall be provided to EMMA by December 1 of the succeeding fiscal year. If the fiscal year of the Borrower changes, the Borrower shall notify the Dissemination Agent and the Bond Trustee in writing of such change, and the Dissemination Agent shall provide such notice to EMMA.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Reports to EMMA, the Borrower shall provide the Annual Report to the Dissemination Agent. If, by such date, the Dissemination Agent has not received a copy of an Annual Report, the Dissemination Agent shall contact the Borrower to determine if the Borrower is in compliance with subsection (a) above.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a) above, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall, if and to the extent the Borrower has provided the Annual Report to the Dissemination Agent, file a report with the Borrower and (if the Dissemination Agent is not the Bond Trustee) the Bond Trustee certifying that the Annual Report has been provided to EMMA pursuant to this Agreement, stating the date it was provided.

(e) The Borrower shall deliver to the Dissemination Agent within sixty (60) days from the end of each of the first three (3) fiscal quarters of the Borrower, a copy of the quarterly unaudited financial statements of the Borrower for the Project for each such fiscal quarter as provided to the Participating Underwriter pursuant to the Loan Agreement. The Dissemination Agent shall then file such financial statements with EMMA within three (3) Business Days of receipt thereof by the Dissemination Agent.

SECTION 4. Content of Annual Report. The Annual Report of the Borrower shall contain or include by reference the following information:

(a) The audited financial statements of the Borrower for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Borrower's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements, and the audited financial statements of the Borrower shall be filed in the same manner as the Annual Report when they become available.

(b) A cash flow statement relating to the Project for the prior fiscal year in the same format as the format for the Cash Flow Forecast set forth in the Official Statement under the heading "**CASH FLOW FORECAST.**"

(c) A current occupancy report relating to the Project for the prior fiscal year, including a leasing activity report from the Manager relating to the Project for such fiscal year.

(d) A report updating the following sections of the Official Statement: "**THE COLLEGE – Student Enrollment**" and "**Student Tuition and Fees.**"

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, within five (5) Business Days after the occurrence thereof, the Borrower shall give, or cause to be given, to the Dissemination Agent, 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 any 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 the holders of the Bonds, 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 Borrower (for purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower 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 Borrower, 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 Borrower);
- (xiii) the consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change in the name of a trustee, if material.

For purposes of this Agreement, “actual knowledge” of the occurrence of a Listed Event shall mean knowledge by an officer at the principal office of the Bond Trustee with regular responsibility for the administration of matters related to the Indenture.

(b) The Dissemination Agent shall, within three (3) Business Days of receipt of any notice given by the Borrower pursuant to subsection (a), file with EMMA a notice of the Listed Event described in such notice from the Borrower and in any event no more than ten (10) Business Days after the occurrence of such Listed Event with a copy to the Issuer.

(c) The Bond Trustee shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events described in subsection (a)(i), (iii), (iv), (v), (vi), (viii, but only with respect to tender offers), (ix), (xi) and (xii) contact the Disclosure Representative and the Dissemination Agent and inform them of the occurrence of such Listed Event. The Dissemination Agent shall then file a notice of such occurrence with EMMA within three (3) Business Days of its being informed thereof and in any event no more than ten (10) Business Days after the occurrence of such event with a copy to the Issuer.

(d) The Bond Trustee shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events described in subsection (a)(ii), (vii), (viii), but only with respect to bond calls), (x), (xiii) and (xiv), without any determination as to materiality, contact the Disclosure Representative, inform such person of such Listed Event, and request that the Borrower promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (h) below.

(e) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event enumerated in subsection (d) above because of a notice from the Bond Trustee pursuant to subsection (d) above or otherwise, the Borrower shall determine in a timely manner so as to comply with subsection (a) above, if such event would be material under applicable federal securities laws; provided, that any event described in subsection (a)(vi) above shall always be material and shall be reported as provided in subsection (c) above.

(f) If the Borrower has determined that knowledge of the occurrence of a Listed Event enumerated in subsection (d) above would be material under applicable federal securities laws, the Borrower shall promptly notify the Dissemination Agent in writing of the occurrence of each such Listed Event. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (h) below.

(g) If in response to a request under subsection (d) above, the Borrower determines that the occurrence of the Listed Event enumerated in subsection (d) above would not be material under applicable federal securities laws, the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (h) below. If the Borrower fails to respond to a request under subsection (d) above, the Bond Trustee and the Dissemination Agent shall be under no obligation to take any further action.

(h) If the Dissemination Agent has been instructed by the Borrower to report the occurrence of a Listed Event enumerated in subsection (d) above, the Dissemination Agent shall file a notice of such occurrence with EMMA within three (3) Business Days of its receipt of such instructions from the Borrower and in any event no more than ten (10) Business Days after the occurrence of such event with a copy to the Borrower and the Issuer.

(i) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the date on which the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Indenture.

(j) The Borrower shall deliver to the Dissemination Agent any reports from a Financial Consultant received by the Borrower in connection with the Fixed Charges Coverage Ratio covenant contained in the Loan Agreement promptly upon receipt thereof by the Borrower. The Dissemination Agent shall then file a copy of such reports with EMMA within three (3) Business Days of receipt thereof by the Dissemination Agent.

SECTION 6. Termination of Reporting Obligation. Except as otherwise provided herein, the obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Borrower's obligations under the Loan Agreement are assumed in full by another person or entity, such other person or entity shall be responsible for compliance with this Agreement in the same manner as if it were the Borrower and the Borrower shall have no further responsibility hereunder (except with respect to obligations of the Borrower that survive the termination hereof pursuant to Section 11 hereof). If such assumption occurs prior to the final maturity of the Bonds, the Borrower shall give, or cause to be given, notice of such assumption in the same manner as for a Listed Event under Section 5(h) hereof.

SECTION 7. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Agreement. If at any time there is not any other designated Dissemination Agent, the Bond Trustee shall be the Dissemination Agent. The Dissemination Agent may resign at any time by providing at least thirty (30) days' written notice to the Issuer, the Borrower and the Bond Trustee.

SECTION 8. Amendment; Waiver. (a) Notwithstanding any other provision of this Agreement, the Borrower, the Dissemination Agent and the Bond Trustee may amend this Agreement (and the Dissemination Agent and the Bond Trustee shall agree to any amendment so requested by the Borrower other than amendments increasing or affecting the obligations or duties of the Dissemination Agent or the Bond Trustee, which amendments shall

require the consent of the Dissemination Agent or the Bond Trustee, as applicable) and any provision of this Agreement may be waived if such amendment or waiver would not, in the opinion of nationally recognized federal securities law counsel, cause the undertakings herein to violate the Rule as in effect at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule.

(b) In the event of any amendment or waiver of a provision of this Agreement, the Borrower shall describe such amendment in the next Annual Report of the Borrower, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(h), and (ii) 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 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this 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 Agreement. If the Borrower 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 Agreement, the Borrower shall not have any obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Borrower to comply with any provision of this Agreement, the Bond Trustee may, or shall, at the written direction of either the Participating Underwriter or any holder or Beneficial Owner of Bonds (but only if and to the extent the Bond Trustee is indemnified to its satisfaction from any costs, liability or expense including, without limitation, fees and expenses of its attorneys, as provided in the Indenture), 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 this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Agreement in the event of a failure of the Borrower to comply with this Agreement shall be an action to compel performance; provided, however that nothing in this Agreement shall limit any holder's rights under applicable federal securities laws.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article XI of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent and the Bond Trustee shall have only such duties as are specifically set forth in this Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent and the Bond Trustee, and their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities that they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Bond Trustee's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent or the Bond Trustee and payment of the Bonds or the termination hereof.

SECTION 12. Notices. (a) Any notices or communications to or among any of the parties to this Agreement may be given as follows:

To the Borrower: Allegany College Housing, LLC
c/o Somerset County Campus Foundation for
Allegany College of Maryland
6022 Glades Pike, Suite 100
Somerset, Pennsylvania 15501

and

V.P. of Finance
Finance Department
Allegany College of Maryland
12401 Willowbrook Road, SE
Cumberland, MD 21502-2596

with a copy to:

Cheryl O'Donnell Guth, Esquire
McGuire Woods LLP
7 St. Paul Street, Suite 1000
Baltimore, Maryland 21202

To the Bond Trustee: Manufacturers and Traders Trust Company
25 South Charles Street, 11th Floor
Baltimore, Maryland 21201
Attention: Corporate Trust Department

To the Dissemination Agent: Manufacturers and Traders Trust Company
25 South Charles Street, 11th Floor
Baltimore, Maryland 21201
Attention: Corporate Trust Department

(b) Any person may, by written notice to the other persons listed above, designate a different address or may designate telephone number(s) or facsimile number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Agreement shall inure solely to the benefit of the Borrower, the Bond Trustee, the Dissemination Agent, the Participating Underwriter and their successors and assigns, and the holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Applicable Law. This Agreement shall be construed under the laws of the State and, to the extent inconsistent, with the laws of the United States of America.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the Borrower, the Dissemination Agent and the Bond Trustee have executed this Agreement under seal on the date and year first written above.

WITNESS:

ALLEGANY COLLEGE HOUSING, LLC

By: Somerset County Campus Foundation for Allegany
College of Maryland, its sole member

By: _____ (SEAL)
Name:
Title:

MANUFACTURERS AND TRADERS TRUST
COMPANY, as Dissemination Agent

By: _____ (SEAL)
Name:
Title:

MANUFACTURERS AND TRADERS TRUST COMPANY,
as Bond Trustee

By: _____ (SEAL)
Name:
Title:

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Maryland Economic Development Corporation
Name of Bond Issue: Maryland Economic Development Corporation Student Housing Refunding Revenue Bonds (Allegany College of Maryland Project) Series 2014 (the "Bonds")
Date of Issuance: February __, 2014

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report (as defined in the Continuing Disclosure Agreement dated as of February 1, 2014, relating to the Bonds) for the fiscal year ending _____ with respect to the Bonds.

Dated: _____

Manufacturers and Traders Trust Company, on behalf of
Allegany College Housing, LLC

By: _____ (SEAL)
Name:
Title:

cc: Maryland Economic Development Corporation