In the opinion of Preti, Flaherty, Beliveau & Pachios, LLP, Bond Counsel to the University of Maine System (the "University System"), assuming compliance by the University System with certain tax covenants described herein, under existing law, interest on the Series 2015 Bonds (as defined below) is excluded from the gross income of the owners of the Series 2015 Bonds for federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2015 Bonds is not an item of tax preference pursuant to section 57 of the Code for purposes of computing alternative minimum tax. In the case of certain corporate holders of the Series 2015 Bonds, interest on the Series 2015 Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Series 2015 Bonds in "adjusted current earnings" of certain corporations. Bond Counsel to the University System is also of the opinion that interest on the Series 2015 Bonds is exempt from taxation within the State of Maine pursuant to 20-A MRSA §10960. See "Tax Matters" herein.

$48,450,000
UNIVERSITY OF MAINE SYSTEM
Revenue Bonds, Series 2015

Dated: Date of Delivery **Due:** March 1, as shown on the inside cover page

The University of Maine System Revenue Bonds, Series 2015 (the "Series 2015 Bonds"), are issuable only as fully-registered bonds without coupons and will be available in book-entry form only, in the principal amount of $5,000 and whole multiples thereof. Purchasers of the Series 2015 Bonds will not receive certificates representing their interests in the Series 2015 Bonds. The Series 2015 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2015 Bonds is payable on each March 1 and September 1, commencing September 1, 2015. The Series 2015 Bonds of each maturity will bear interest from their dated date to their date of maturity (or prior redemption) at the applicable rates set forth on the inside cover page. Principal of and interest on the Series 2015 Bonds are payable by U.S. Bank National Association, Boston, Massachusetts, as paying agent on behalf of the University of Maine System (the "University System"), to Cede & Co.

The Series 2015 Bonds are subject to redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SERIES 2015 BONDS – Optional Redemption."

The Series 2015 Bonds are payable solely from available revenues of the University System. The University System has no taxing power.

The Series 2015 Bonds shall not constitute a debt or liability of the State of Maine (the "State") or of any municipality or any political subdivision thereof within the meaning of any provision of the Constitution, any statute or any other law of the State and shall not constitute a pledge of the faith and credit of the State. The University System is not authorized, directly, indirectly or contingently, to obligate the State or any political subdivision thereof to levy any form of taxation for the Series 2015 Bonds or to make any appropriation for their payment.

The scheduled payment of principal of and interest on the Series 2015 Bonds when due will be guaranteed under an insurance policy to be issued by Assured Guaranty Municipal Corp. concurrently with the delivery of the Series 2015 Bonds.

The Series 2015 Bonds are being offered when, as and if issued by the University System and received by the purchasers, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approval of legality by Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, Bond Counsel to the University System, whose approving opinion will be delivered with the Series 2015 Bonds. Certain legal matters will be passed upon for the University System by its counsel, J. Kelley Wiltbank, Esq., Bangor, Maine. Public Financial Management, Inc., Boston, Massachusetts, has served as financial advisor to the University System in connection with the issuance of the Series 2015 Bonds. It is expected that the Series 2015 Bonds will be delivered in book-entry form on or about April 8, 2015 through the facilities of DTC.

Fidelity Capital Markets

March 18, 2015

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS
$48,450,000
University of Maine System
Revenue Bonds, Series 2015

Maturity (March 1)	Principal Amount	Interest Rate	Yield	CUSIP† No. 914399	Maturity (March 1)	Principal Amount	Interest Rate	Yield	CUSIP† No. 914399
2016	$2,015,000	5.000%	0.20%	NK2	2027	$3,060,000	4.000%	2.80%*	NW6
2017	570,000	5.000	0.73	NL0	2028	3,165,000	3.000	3.05	NX4
2018	1,240,000	5.000	1.00	NM8	2029	2,720,000	3.000	3.15	NY2
2019	2,420,000	5.000	1.35	NN6	2030	3,760,000	4.000	3.10*	NZ9
2020	2,900,000	5.000	1.62	NP1	2031	3,135,000	4.000	3.15*	PA2
2021	2,265,000	5.000	1.76	NQ9	2032	3,260,000	4.000	3.20*	PB0
2022	2,385,000	5.000	2.02	NR7	2033	1,705,000	3.375	3.40	PC8
2023	2,505,000	5.000	2.20	NS5	2034	1,765,000	3.375	3.47	PD6
2024	2,615,000	5.000	2.35	NT3	2035	405,000	3.500	3.55	PE4
2025	2,775,000	5.000	2.45	NU0	2036	425,000	3.500	3.60	PF1
2026	2,920,000	5.000	2.55*	NV8	2037	440,000	3.500	3.63	PG9

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized by the University System to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the University System. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and in "Appendix G – Specimen Municipal Bond Insurance Policy."

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* Priced at the stated yield to the March 1, 2025 optional redemption date at a redemption price of 100%.

† CUSIP numbers have been assigned by an independent company not affiliated with the University System and are included solely for the convenience of the Holders of the Series 2015 Bonds. The University System is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2015 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015 Bonds.

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OFFICIAL STATEMENT

$48,450,000
UNIVERSITY OF MAINE SYSTEM
Revenue Bonds, Series 2015

INTRODUCTION

This Official Statement, which includes the cover page hereof and the appendices attached hereto, is furnished by the University of Maine System (the "University System") to provide information regarding the $48,450,000 aggregate principal amount of the University of Maine System Revenue Bonds, Series 2015, including the Terms of Issuance thereof (the "Series 2015 Bonds"). Certain capitalized terms used in this Official Statement are defined and have the meanings set forth in Appendix A hereto.

The Series 2015 Bonds will be issued pursuant to the Maine Revised Statutes, Title 20-A, chapters 411 and 412, as amended from time to time (the "Act"), and a resolution adopted on July 21, 2014 (the "Bond Resolution") by the Board of Trustees (the "Board") of the University System. The Series 2015 Bonds will be payable solely from available revenues of the University System and will not be a debt or liability of the State of Maine (the "State") or of any municipality or any political subdivision thereof within the meaning of any provision of the Constitution, any statute or any other law of the State and will not constitute a pledge of the faith and credit of the State. The University System has heretofore issued $442,435,000 in aggregate principal amount of its revenue bonds (the "Prior Bonds"), a portion of which were issued pursuant to a Master Trust Indenture dated as of September 1, 1989, as amended by a First Supplemental Master Indenture dated as of March 1, 1993 (the "Master Indenture"), both between the University System and a financial institution which served as trustee. The Prior Bonds are Outstanding in the aggregate principal amount of $145,820,000 as of the date hereof. None of the Prior Bonds are Outstanding under the Master Indenture.

Proceeds from the sale of the Series 2015 Bonds, together with certain other funds of the University System, will be used (i) to finance improvements to the University Plant and of a capital nature for the benefit of the University System (the "Projects"), (ii) to refund certain of the Prior Bonds, as more fully described under "PLAN OF REFUNDING" herein (the "Bonds to be Refunded") and (iii) to pay certain expenses incurred in connection with the issuance of the Series 2015 Bonds. See "APPLICATION OF SERIES 2015 BOND PROCEEDS."

The University System covenants in the Series 2015 Bonds that it will, so long as any Series 2015 Bonds are Outstanding, establish, impose and collect tuition, fees and charges for its educational services, its auxiliary enterprises, including dormitory housing, food service and sale of textbooks, for use of the University Plant and for all other services and goods provided by the University System, which tuition, fees and charges, together with other available moneys, in each Fiscal Year, will be sufficient to permit the performance of all the covenants in, and requirements of the University System under, the Series 2015 Bonds, including the prompt payment of principal of and interest on the Series 2015 Bonds as and when due, the prompt payment of principal of and interest on the Prior Bonds and the prompt payment and performance of all other obligations as and when due. See "SOURCES OF PAYMENT OF THE SERIES 2015 BONDS."

In addition to the Prior Bonds, the University System has incurred other debt from time to time. The University System may issue other evidences of indebtedness pursuant to the Act. See "DEBT OF THE UNIVERSITY SYSTEM."

SOURCES OF PAYMENT OF THE SERIES 2015 BONDS

General

The Series 2015 Bonds will be payable solely from available revenues of the University System. The University System has no taxing power.

Rate Covenant

The University System covenants in the Series 2015 Bonds that it will, so long as any Series 2015 Bonds are Outstanding, establish, impose and collect tuition, fees and charges for its educational services, its auxiliary enterprises, including dormitory housing, food service and sale of textbooks, for use of the University Plant and for all other services and goods provided by the University System, which tuition, fees and charges, together with other available moneys, in each Fiscal Year, will be sufficient to permit the performance of all the covenants in, and requirements of the University System under, the Series 2015 Bonds, including the prompt payment of principal of and interest on the Series 2015 Bonds as and when due, the prompt payment of principal of and interest on the Prior Bonds as and when due and the prompt payment and performance of all other obligations as and when due.

While there are currently no limits on the University System's power to set such tuition, fees and charges, there can be no assurance that legislation limiting the University System's power to set such tuition, fees and charges will not be enacted.

State of Maine Not Liable

The Series 2015 Bonds will not constitute a debt or liability of the State or of any municipality or any political subdivision thereof within the meaning of any provision of the Constitution, any statute or any other law of the State and will not constitute a pledge of the faith and credit of the State. The University System is not authorized, directly, indirectly or contingently, to obligate the State or any political subdivision thereof to levy any form of taxation for the Series 2015 Bonds or to make any appropriation for their payment.

THE PROJECTS

The Projects consist of capital improvements to the University Plant for the benefit of the University System. The Projects are expected to include energy system improvements at the University of Maine at Farmington and the University of Maine at Machias.

PLAN OF REFUNDING

Proceeds of the Series 2015 Bonds will be applied, on the dates set forth below, to refund, at the redemption price of 100%, the following amounts of the Bonds to be Refunded:

Series of Bonds	Maturity Date (March 1)	Amount to be Refunded	Redemption or Maturity Date
Series 2004 Bonds	2034	$6,410,000	May 8, 2015
		$6,410,000	
Series 2005 Bonds	2016	$1,350,000	May 8, 2015
	2017	45,000	May 8, 2015
	2018	680,000	May 8, 2015
	2019	715,000	May 8, 2015
	2020	1,110,000	May 8, 2015
	2021	375,000	May 8, 2015
	2022	395,000	May 8, 2015
	2023	410,000	May 8, 2015
	2024	430,000	May 8, 2015
	2025	450,000	May 8, 2015
	2026	475,000	May 8, 2015
	2027	500,000	May 8, 2015
	2028	515,000	May 8, 2015
	2029	20,000	May 8, 2015
	2030	20,000	May 8, 2015
	2031	15,000	May 8, 2015
	2032	15,000	May 8, 2015
	2033	15,000	May 8, 2015
	2034	20,000	May 8, 2015
	2035	20,000	May 8, 2015
		$7,575,000	
Series 2007 Bonds	2019	$1,120,000	March 1, 2017
	2020	1,170,000	March 1, 2017
	2021	1,235,000	March 1, 2017
	2022	1,295,000	March 1, 2017
	2023	1,355,000	March 1, 2017
	2024	1,410,000	March 1, 2017
	2025	1,500,000	March 1, 2017
	2026	1,570,000	March 1, 2017
	2027	1,635,000	March 1, 2017
	2028	1,700,000	March 1, 2017
	2029	1,780,000	March 1, 2017
	2030	1,870,000	March 1, 2017
	2031	1,960,000	March 1, 2017
	2032	2,045,000	March 1, 2017
	2033	470,000	March 1, 2017
	2034	490,000	March 1, 2017
	2035	495,000	March 1, 2017
	2036	520,000	March 1, 2017
	2037	545,000	March 1, 2017
		$24,165,000	
TOTAL		$38,150,000	

The Bonds to be Refunded are currently outstanding in the aggregate principal amount of $38,150,000. The refunding will achieve debt service savings for the University System. In order to accomplish the refunding of the Bonds to be Refunded, a portion of the proceeds of the sale of the Series 2015 Bonds will be deposited into a special trust fund created pursuant to an escrow agreement (the "Escrow Agreement") to be entered into between the University System and U.S. Bank National Association, Boston, Massachusetts, as escrow agent (in such capacity, the "Escrow Agent"). A portion of the moneys so deposited in the special trust fund created pursuant to the Escrow Agreement will be used to acquire direct obligations of the United States of America (the "Investment Securities"), the principal of and interest on which, when due, together with money held by the Escrow Agent pursuant to the Escrow Agreement, will provide moneys sufficient for the payment of the redemption price of the Bonds to be Refunded and the interest due on the Bonds to be Refunded.

The arithmetical accuracy of certain computations included in the schedules provided by Public Financial Management, Inc. ("PFM") on behalf of the University System relating to (a) computation of forecasted receipts of principal and interest on the Investment Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds and (b) computation of the yields on the Refunding Bonds and the Investment Securities was examined by The Arbitrage Group, Inc. Such computations were based solely upon assumptions and information supplied by PFM on behalf of the University System. The Arbitrage Group, Inc. restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

In the opinion of Bond Counsel, and in reliance upon such examination by The Arbitrage Group, Inc. of such computations, upon making such deposit with the Escrow Agent and upon the issuance of certain irrevocable instructions to the Escrow Agent, the Bonds to be Refunded will be deemed to have been paid, and the covenants, agreements and other obligations of the University System to the holders of the Bonds to be Refunded will be discharged and satisfied.

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APPLICATION OF SERIES 2015 BOND PROCEEDS

Proceeds of the Series 2015 Bonds are expected to be applied as follows:

Refunding of Bonds to be Refunded (1)	$40,206,319.99
Project Fund (2)	12,710,000.00
Costs of Issuance	238,085.59
Underwriter's Discount (3)	465,039.77
Total	$53,619,445.35

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(1) A portion of the proceeds of the Series 2015 Bonds will be deposited with the Escrow Agent pursuant to the Escrow Agreement for payment of the principal of and interest on certain of the Prior Bonds. See "PLAN OF REFUNDING" above.

(2) The Project Fund will be established by or on behalf of the University System and proceeds of the Series 2015 Bonds, together with interest earnings thereon, will be disbursed from the Project Fund to pay costs of the Projects or to reimburse the University System for costs of the Projects paid by the University System.

(3) Underwritier's discount includes the premium for the Policy.

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DEBT SERVICE REQUIREMENTS

The following table sets forth estimated debt service requirements on the Prior Bonds and the Series 2015 Bonds. There may be discrepancies in the following table between entries and sum totals due to rounding.

Fiscal Year Ending June 30	Annual Debt Service on Prior Bonds[1]	Annual Debt Service on Series 2015 Bonds*	Total Annual Debt Service*
2015	$14,136,138	--	$14,136,138
2016	10,825,994	$3,896,666	14,722,660
2017	12,136,544	2,566,463	14,703,007
2018	12,122,994	3,207,963	15,330,957
2019	10,182,644	4,325,963	14,508,607
2020	10,171,644	4,684,963	14,856,607
2021	9,386,994	3,904,963	13,291,957
2022	9,385,394	3,911,713	13,297,107
2023	8,340,144	3,912,463	12,252,607
2024	8,340,744	3,897,213	12,237,957
2025	6,287,900	3,926,463	10,214,363
2026	6,288,363	3,932,713	10,221,076
2027	6,300,963	3,926,713	10,227,676
2028	6,283,213	3,909,313	10,192,526
2029	6,669,125	3,369,363	10,038,488
2030	5,814,313	4,327,763	10,142,076
2031	4,320,569	3,552,363	7,872,932
2032	4,314,325	3,551,963	7,866,288
2033	3,933,213	1,866,563	5,799,776
2034	2,635,775	1,869,019	4,504,794
2035	2,634,613	449,450	3,084,063
2036	5,475	455,275	460,750
2037	5,238	455,400	460,638
Total	$160,522,319	$69,900,722	$230,423,041

[1]Excludes debt service on the Bonds to be Refunded.

*The amounts set forth under the heading "Annual Debt Service on Series 2015 Bonds" were prepared by using the principal maturities and the interest rates of the Series 2015 Bonds set forth on the inside cover page hereof.

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DESCRIPTION OF THE SERIES 2015 BONDS

General

The Series 2015 Bonds will bear interest from their date of delivery, payable on March 1 and September 1 of each year, commencing September 1, 2015, until payment of the principal or redemption price of the Series 2015 Bonds. Principal of and interest on the Series 2015 Bonds will be payable to The Depository Trust Company, New York, New York ("DTC") by U.S. Bank National Association, Boston, Massachusetts, acting as paying agent (in such capacity, the "Paying Agent"), from monies provided by the University System on or before the Interest Payment Date. So long as DTC or its nominee is the registered owner of the Series 2015 Bonds, disbursement of such payments to DTC Participants (hereinafter defined) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (hereinafter defined) is the responsibility of DTC Participants or Indirect Participants (hereinafter defined) as more fully described herein. See Appendix C, "The Depository Trust Company and the Book-Entry-Only System." The Series 2015 Bonds will be dated, will bear interest at the rates and, subject to the redemption provisions thereof set forth below, will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the Series 2015 Bonds will be computed on the basis of a 30-day month and 360-day year.

The Series 2015 Bonds will be issued in fully registered form, without coupons. Purchase of beneficial interests in the Series 2015 Bonds will be made in book-entry form, in the denomination of $5,000 or any whole multiple thereof. Purchasers of such beneficial interests will not receive certificates representing their interests in the Series 2015 Bonds.

Optional Redemption

If the University System is not then in default of its obligations pursuant to the Series 2015 Bonds, on not less than thirty (30) days prior notice, the Series 2015 Bonds maturing after March 1, 2025 will be subject to redemption prior to maturity, at the option of the University System, at any time on or after March 1, 2025, in whole or in part, in such order of their maturities as the University System in its discretion may determine, at a redemption price of 100% of the principal amount of the Series 2015 Bonds being redeemed, plus accrued interest to the redemption date. If less than all of the outstanding Series 2015 Bonds are to be redeemed, the Series 2015 Bonds to be redeemed shall be selected from such maturities as the University System may determine, or if no such determination is made, the Series 2015 Bonds shall be redeemed in inverse order of maturity. If all Series 2015 Bonds of one maturity are not redeemed, then the Series 2015 Bonds of such maturity to be redeemed shall be determined by lot for such maturity.

Notice of Redemption

Notice of redemption at the option of the University System will be given by the Paying Agent by sending a copy of such notice by registered or certified first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owner of each Series 2015 Bond, or portion thereof, to be redeemed, to the address shown on the registration books kept by the Paying Agent as of the close of business of the Paying Agent on the fifth day prior to the mailing of notice. Notice having been given in the manner described, the Series 2015 Bond or Bonds called for redemption will become due and payable on the redemption date designated and

the Series 2015 Bonds to be redeemed will not be deemed to be outstanding and will cease to bear interest from and after such redemption date. Upon presentation of a Series 2015 Bond or Bonds to be redeemed at the office of the Paying Agent, the Paying Agent will pay the Series 2015 Bond or Bonds called for redemption with funds deposited with the Paying Agent by the University System.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2015 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2015 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2015 Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, including the Series 2015 Bonds, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). In February 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM

At December 31, 2014, AGM's policyholders' surplus and contingency reserve were approximately $3,763 million and its net unearned premium reserve was approximately $1,769 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference in this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2015 Bonds shall be deemed incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Series 2015 Bonds and such purchases may constitute a significant proportion of the Series 2015 Bonds offered. AGM or such affiliate may hold such Series 2015 Bonds for investment or may sell or otherwise dispose of such Series 2015 Bonds at any time or from time to time.

AGM makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

THE UNIVERSITY OF MAINE SYSTEM

History

The University System was created by the Maine Legislature in 1968 through the merger of the University of Maine, which consisted of a main campus in Orono, a School of Law in Portland, and branch campuses in Augusta and Portland, with Maine's five state teachers colleges which, prior to the merger, had been operated under the State Board of Education. The University of Maine originated in 1865 as the State College of Agriculture and Mechanic Arts (Maine's land grant college). In 1895 its name was changed to the University of Maine. The University of Maine School of Law traces its origins to a law school opened in Bangor in 1898, but the modern school was started in 1961 when the Maine Legislature authorized the University of Maine to operate a law school in Portland.

The University System includes all public institutions of higher education in Maine, except for the Maine Maritime Academy and the State's community college system. Following the merger of the University of Maine with the five state colleges, the University System consisted of seven campuses. The principal campus of the University of Maine became the University of Maine at Orono and was subsequently renamed the University of Maine. The campus of the original University of Maine located in Augusta became the University of Maine at Augusta and the campus located in Portland was combined with the Gorham State Teachers College and the University of Maine School of Law as the University of Maine at Portland-Gorham, which was subsequently renamed the University of Southern Maine. The other four state teachers colleges became the University of Maine at Fort Kent, the University of Maine at Presque Isle, the University of Maine at Machias and the University of Maine at Farmington.

The University System currently consists of the following seven institutions (the "Institutions"):

The University of Maine ("UM");
The University of Maine at Augusta ("UMA");
The University of Maine at Farmington ("UMF");
The University of Maine at Fort Kent ("UMFK");
The University of Maine at Machias ("UMM");
The University of Maine at Presque Isle ("UMPI"); and
The University of Southern Maine ("USM").

In addition, the University of Maine School of Law is an institution within the University System. Lewiston-Auburn College is a campus of USM. The University of Maine at Augusta-Bangor is a campus of UMA. The Hutchinson Center in Belfast is a campus of UM. The University of Maine System also includes the University College ("University College") which consists of 8 outreach centers located throughout the State.

The University System estimates that it occupies in excess of 13,500 acres of land, of which 2,300 acres are developed, and that its facilities provide approximately 9.6 million square feet of space. The University System estimates that the replacement value of its facilities is approximately $2.0 billion. The University System has 40 residence halls with an estimated capacity of more than 7,000 students.

Board of Trustees

The University System is governed by a 16-member Board of Trustees. Fourteen members are appointed by the Governor for five-year terms. One member is a full-time student in the University System nominated by the Governor from a list of six eligible students submitted by the University System's organizations of student government. The student member serves for a two-year term. The Commissioner of Education of the State serves as a voting member ex-officio of the Board. The nominations of the members appointed by the Governor are subject to review by the State Legislature's Joint Standing Committee on Education and to confirmation by the Legislature.

The Board is empowered by law to appoint a Chancellor to serve at the Board's pleasure and to appoint a president, nominated by the Chancellor, for each Institution. The Board, in consultation with the Chancellor, is the governing and planning body of the University System and is responsible for preparing and approving the operating and capital budgets of the University System and for presenting them to the State in accordance with law.

Strategic Planning

In January 2012 the Board endorsed three major areas for action in key areas of program and workforce development, cost control and student success. The Board provided directives with the intent of focusing further work and enhancing current efforts. The three major areas for action included:

I. Student Guarantee: Access, Affordability, and Graduation;

II. Employer Guarantee: Maine's Workforce Needs Met by University Graduates; and
III. 21st Century Educational Delivery: Online, Year-Round Operations, Productivity, and Resources Focused on Mission.

To meet these goals, the University System has been actively working on various projects and initiatives including an outcomes based funding model and administrative reviews to make improvements in strategic procurement, human resources and information technology. In addition, work has been done to improve college credit transfer aimed at student transfers among Institutions and between the Maine Community College System and the University System, while additional work has been done to enhance adult baccalaureate completion.

In July 2014, the Board approved Strategic Outcomes for the University of Maine System including the adoption of the following Vision for the University of Maine System: The University of Maine System is an integrated system of distinct campuses, centers, and other facilities operating in concert to provide high-quality educational undergraduate and graduate opportunities that are accessible, affordable, and relevant to the needs of Maine students, businesses, and communities. It drives economic development by conducting world-class research, commercializing valuable ideas, and partnering successfully with businesses and industries throughout Maine and beyond. It is the State's most engaged and responsive institution working on behalf of all Maine citizens, communities, and institutions. It is Maine's most important public asset.

The criteria through which the Board directs this vision is identified in terms of demonstrable strategic outcomes at the University System level and in each of its three mission categories of (I) Education, (II) Research and Economic Development, and (III) Public Service. These outcomes have goals, or targets, which measure success for each outcome. The University System will achieve these outcomes through an intensely collaborative approach that positions the University System campuses, programs, and services in competitively advantageous ways. The University System has been and will continue to be actively engaged in initiatives to accomplish these outcomes.

Financial Analysis

The University System annually conducts a multiyear financial analysis. The University System pursues the goal of financial sustainability while maintaining academic quality and integrity, providing access to more students, offering new programs that support economic development in the State, delivering more efficient and cost effective operations and enhancing productivity by utilizing technology more broadly. In the course of its annual budgeting process and multi-year financial analysis, the University System evaluates the fiscal impact of significant budget elements, including student enrollment, faculty and staff compensation, investments in physical plant, State appropriations for the University System, tuition and fee revenue and financial aid funded by the University System.

Each year, the five year analysis process begins in June when finance personnel of the University System and the Institutions meet to review assumptions and develop that year's analysis framework. The University System-wide assumptions include tuition rates, changes in faculty and staff compensation, benefit rates, State appropriation, inflation rates, and capital

funding goals. Working within the analysis framework, finance personnel of the Institutions refine their own respective variables and cost factors during August and September. Such variables and cost factors include enrollment and workforce projections and non-personnel expenses such as fuel and electricity, supplies and services, maintenance and alterations and library acquisitions. In October each Institution's analyses and other information are compiled and the results are reviewed with finance personnel and the Presidents of the Institutions. The final analysis is presented at the November Board meeting.

Members of the Board

As of February 1, 2015, the members of the Board were as follows:

Member	Principal Occupation	Term Expires*	Residence
Kurt W. Adams	Executive Vice President	2015	Yarmouth
Samuel W. Collins, Chair	President	2019	Caribou
James O. Donnelly	Executive Vice President	2019	Brewer
James R. Erwin	Partner	2017	Yarmouth
Norman L. Fournier	Executive Director	2017	Wallagrass
Mark R. Gardner	President and CEO	2017	Kittery
M. Michelle Hood	President and CEO	2018	Bar Harbor
Gregory G. Johnson, Vice Chair	Retired Admiral – US Navy	2016	Harpswell
Kevin P. McCarthy	Director	2018	Portland
Marjorie Murray Medd	Consultant	2015	Norway
Shawn H. Moody	President	2018	Gorham
Victoria M. Murphy	Business Co-Owner	2014	Portland
Paul M. Nelson	Senior Airman and student	2016	Biddeford
Bonnie Newsom	President	2016	Eddington
Thomas Desjardins	Commissioner	ex officio	Pittsfield
Karl W. Turner	Consultant	2016	Cumberland

*A member's term expires May 26 of the year indicated. A member serves until a successor is appointed by the Governor and confirmed by the Legislature.

Principal Officers of the University System

The Chancellor is the chief administrative and education officer of the University System and exercises such powers and fulfills such responsibilities as are delegated by the Board. The Chancellor may delegate such powers and responsibilities as the Chancellor deems necessary to such personnel as the Chancellor may appoint.

As of February 1, 2015, the persons listed below were serving as the principal administrative personnel of the University System.

Dr. James H. Page was appointed Chancellor by the Board in March 2012. Prior to becoming Chancellor, Dr. Page was principal and Chief Executive Officer of the James W. Sewall Company, a national consulting organization founded in 1880 and headquartered in Old Town, Maine, specializing in forestry, natural resources and civil and spatial engineering. Dr.

Page is the first Chancellor to be born in Maine or to have been educated at one of the Institutions. He was born and raised in Caribou and obtained his B.A. in History from the University of Maine at Ft. Kent. Subsequently he completed Master's work in the philosophy of physics at St. Andrews University, Scotland and obtained his Ph.D. in the philosophical foundations of mathematics from the Massachusetts Institute of Technology. He taught at several universities before joining the private sector and has served on a number of boards in the public, private and non-governmental organization sectors.

Ms. Rosa Redonnett is the Chief Student Affairs Officer for the University System. The Chief Student Affairs Officer is responsible for advising the Chancellor, Chancellor's staff and the Board on all matters affecting student life at the Institutions and most specifically on those matters impacting the persistence, graduation and success of all students within the University System. The Chief Student Affairs Officer provides University System-wide leadership to enhance and promote student success through collaborative efforts within the University System, with other higher education institutions, and within the preK-20 education community. Prior to her appointment as Chief Student Affairs Officer, Ms. Redonnett served in several positions at USM from 1987-2008. Prior to working at USM, Ms. Redonnett worked at Bunker Hill Community College in Charlestown, MA and at Northeastern University in Boston. She received her M.B.A. from Northeastern University and her B.A. in International Business from Simmons College.

Mr. J. Kelley Wiltbank has been Counsel to the University System since 1998. He served as Clerk of the Board from 2002 to 2013. He is responsible for oversight regarding all legal issues arising from the University System and the Institutions. Prior to coming to Maine, Mr. Wiltbank was general counsel to Idaho State University for 15 years. He began his legal career as a deputy prosecuting attorney in the Ada County (Boise, Idaho) Prosecuting Attorney's Office. Mr. Wiltbank is a graduate of Gonzaga University School of Law (J.D. 1977), the University of Florida (B.A. History 1972) and Idaho State University (B.A. French 1989, High Honors).

Ms. Rebecca Wyke has served as the University System's Vice Chancellor for Finance and Administration and Treasurer since 2008. Her major focus of work has been University System-wide initiatives to ensure the long-term financial sustainability of the University System. Prior to joining the University System, Ms. Wyke worked for the State of Maine. She served five years as the Commissioner of the Department of Administrative and Financial Services. She also served in the administration of three Maine Secretaries of State, most recently as the Chief Deputy Secretary of State for eight years. Ms. Wyke received her Ed.D. from the University of Pennsylvania and is a graduate of the University of Maine with a Bachelor of Arts degree in Political Science and a Masters in Public Administration.

Presidents of the Institutions

The president of an Institution is the chief administrative and educational officer of that Institution and is responsible for the day-to-day operation and development of its academic program within limits set by the Board and the Chancellor. In addition, an Institution's president may exercise such rights and privileges as are generally recognized in the administering of admissions, curriculum development, extracurricular programs, long-range planning within the framework of the overall University System plan and supervision of faculty.

As of February 1, 2015, the persons listed below were serving as the presidents of the Institutions:

Susan J. Hunter became President of the University of Maine July 7, 2014. She began her full-time career at the University of Maine in September 1991. Prior to starting her two-year appointment as the University of Maine's first woman president, President Hunter served as Vice Chancellor for Academic Affairs for the University System, a position she assumed in September 2013. President Hunter served five years as the Executive Vice President for Academic Affairs and Provost at the University of Maine. At the University of Maine, she also has held the positions of Associate Provost and Dean for Undergraduate Education, Assistant Director in the College of Natural Sciences, Forestry, and Agriculture and faculty member and Chair of the Department of Biological Sciences. President Hunter served on the board of directors of the Maine School of Science and Mathematics. Currently, she is the University System representative to the Governor's STEM Council, and serves on the boards of the Maine Mathematics and Science Alliance, Bangor Symphony Orchestra and the Maine Development Foundation. Most recently, she participated in a planning initiative for the Maine Arts Commission Steering Committee, in preparation for a Cultural Strategic Plan for the State of Maine. President Hunter is a cell biologist whose research focused on structural and functional aspects of bone cell biology. She received a bachelor's degree in biology from James Madison University and a Ph.D. in physiology from Pennsylvania State University, and did postdoctoral work at Case Western Reserve University and Pennsylvania State University.

Glenn A. Cummings became President of the University of Maine at Augusta in September 2014. He served President Obama as Deputy Assistant Secretary within the U.S. Department of Education. Dr. Cummings received appointment as Assistant Professor of Educational Leadership at USM. He teaches within both the Masters and Doctoral degree programs. His doctoral thesis, entitled *Turning Green from the Inside Out,* centered on the internal leadership of four American colleges in their quest for national-level achievement in sustainability. Dr. Cummings obtained his Doctorate in Higher Education Management from the University of Pennsylvania. He previously earned a Masters of Public Administration from the Kennedy School of Government at Harvard University, a Masters of Arts in Teaching from Brown University, and a Bachelor of Arts from Ohio Wesleyan University.

Kathryn A. Foster became the fourteenth president of the University of Maine at Farmington in 2012. She is a native of New Jersey and a scholar-educator with thirty years of experience in public higher education and regional policy and practice. At the time of her appointment, President Foster was a Visiting Fellow at the Brookings Institution in Washington D.C., where she was on research leave from the State University of New York at Buffalo, her academic home since 1993. Foster earned her B.A. in Geography from the Johns Hopkins University, her M.C.P. (Master of City Planning) from the University of California, Berkeley, and her Ph.D. in Public and International Affairs from Princeton University. A frequent public speaker on regional decision making and governance, Ms. Foster is the author of *Regionalism on Purpose* (2001), *The Political Economy of Special-Purpose Government* (1997) and numerous book chapters, articles and policy reports.

Wilson G. Hess became President of the University of Maine at Fort Kent in July 2010. He has over 35 years of experience in higher education and nonprofit organizations, including 19 years as a chief executive officer. He served as President of Unity College in Unity, Maine for

10 years. Prior to his appointment he was President of the College of the Marshall Islands in the equatorial Pacific nation of the Marshall Islands. He earned a master's degree in History at the University of Maine and a bachelor's degree in History at the University of Baltimore. He has also engaged in doctoral studies in History at the University of Maine.

Joyce B. Hedlund became President of the University of Maine at Machias in January 2015. Dr. Hedlund spent nearly twenty years as a president in the Maine Community College System, leading the Eastern Maine Community College in Bangor and the Washington County Community College. While in the community college system, Dr. Hedlund focused the work of the College Advisory Board on regional economic development and the role that colleges can play in developing support systems for growth. In recognition of her distinguished service to the system, Dr. Hedlund was honored as president emeritus for both Eastern Maine and Washington County Community Colleges. Prior to joining the community college system, Dr. Hedlund held student support and success positions in Maine's public universities. Early in her career she was the Director of Admissions and worked on evening and adult education programs at the University of Maine at Fort Kent. At the University of Maine, Dr. Hedlund held positions in financial aid and eventually served as Associate Dean of Students responsible for commuter affairs, retention and new student orientation. Dr. Hedlund is a University of Maine at Fort Kent graduate and holds a Masters Degree as well as a Doctoral Degree in Education with a concentration in Student Personnel Services and Counselor Education from the University of Maine.

Linda Schott became the eleventh President of the University of Maine at Presque Isle in 2012. After graduating from Bandera High School in Texas she attended Baylor University and received a B.A. in history and German in 1979. She then attended Stanford University, earning an M.A. in History in 1982 and a Ph.D. in History and Humanities in 1986. Dr. Schott returned to Texas to begin her teaching career, working first at Texas State University, then at Texas Lutheran University, and then at the University of Texas at San Antonio where she was an assistant and associate professor of history and American Studies as well as the Director of the Center for the Study of Women and Gender. In 2003, Dr. Schott moved to Eastern Michigan University as Director of the Women's and Gender Studies Program. In 2006 she was head of the Department of History and Philosophy as well as Associate Dean of the College of Arts and Sciences. In 2008, Dr. Schott served as the Dean of the School of Arts, Humanities, and Social Sciences at Fort Lewis College in Durango, Colorado.

David T. Flanagan became President of the University of Southern Maine in July 2014. He served as a member (1986-1995) and chairman (1991-2) of the Board. In 2009, he was asked by the Board to chair the New Challenges, New Directions task force on the future of the University System. President Flanagan served a term on the board of Thomas College, located in Waterville, Maine. Additionally, he has served the American University in Bulgaria as a board member (1993-2011), chairman (2004-8) and a council member (2011-present). He served as chairman of the Board of Visitors of USM's Muskie School of Public Service at USM (2008-2014). Previously President Flanagan practiced law at Pierce Atwood in Portland, Maine. He also served as Chief Executive Officer of Central Maine Power, Maine's largest electric utility. President Flanagan served Chief Counsel to Maine Governor Joseph Brennan and as General Counsel to the U.S. Senate Homeland Security Committee. He is currently a member of the Board of Trustees of the Harold Alfond Foundation. President Flanagan is a past chair of the Maine Chapter of the Nature Conservancy. President Flanagan was educated at Bangor, Hampden and Portland, Maine public schools, Harvard College BA '69, University of London

(England), King's College MA '70 and Boston College Law School JD '73. He is a member of the bars of Maine, the US District Court and the US Supreme Court.

Dr. Harvey Kesselman is expected to become the President of the University of Southern Maine on July 1, 2015. Dr. Kesselman is currently the Provost and Executive Vice President of Stockton University in Pomona, New Jersey.

Academic Programs

Located in Orono, Maine, the **University of Maine** is the State's land-grant and sea-grant institution and is the principal graduate institution in the State. In addition to the Graduate School, it has six other colleges: Business, Public Policy and Health; Education and Human Development; Engineering; Honors; Liberal Arts and Sciences; and Natural Sciences, Forestry and Agriculture. The University of Maine also contains the Maine Agricultural and Forest Experiment Station and Cooperative Extension. The University of Maine offers doctoral degrees in more than 30 fields, in the arts, sciences, engineering and education; master's degrees in more than 70 disciplines; and 90 baccalaureate degree programs.

The principal research resource at the University of Maine is the Raymond H. Fogler Library. Fogler contains over 1.4 million volumes, subscribes to more than 4,000 periodicals and serial titles and serves as a depository for more than 2.3 million government documents. It also provides access to many online resources. The University of Maine has numerous centers directed to research, exhibit or professional development, including the National Center for Geographic Information and Analysis, a joint venture with the State University of New York at Buffalo and the University of California at Santa Barbara, originally funded by a $10,000,000 National Science Foundation Grant. UM is also home to several research units, including the Climate Change Institute, the Laboratory for Surface Science and Technology and the AEWC Advanced Structures and Composites Center. The Hudson Museum houses a large collection of pre-Columbian artifacts.

The University of Maine academic programs are accredited by 14 national professional associations, as well as by the New England Association of Schools and Colleges. As the Land Grant and Sea Grant University, the University of Maine is responsible for the majority of the State's research and development efforts.

The **University of Maine at Augusta** offers 15 associate degree and 19 baccalaureate degree programs at two full-service campuses in Augusta and Bangor and eight outreach centers and through broadcast or web-based delivery. Seven associate degrees and ten baccalaureate degrees are offered statewide, including seventeen degrees offered fully online, two of which enroll students internationally. UMA serves a diverse commuter population of traditional and non-traditional students in its region, many of whom are already in the workforce. The average credit load is eight to nine credits per semester and the average student age is 33 years.

University College is a resource of the University System and provides access to academic programs from all Institutions. Students can earn course credits through a variety of delivery methods that apply to nearly all of the degree and certificate programs. University College manages eight full service outreach centers, contracts with 31 additional adult education sites in the State and manages the University System's website, Online.Maine.edu, which lists more than 58 online programs. In Fiscal Year 2014 students enrolled in 38,926 credit hours at

University College centers and sites delivered onsite and by interactive television (ITV) and video conference. In addition, University College facilitated enrollment of students in 14,972 credit hours online, or approximately 15% of all University System online enrollments.

Established in 1864 as Maine's first public institution of higher education, the **University of Maine at Farmington** is Maine's public liberal arts college, offering programs in teacher education, human services and arts and sciences. Enrollment is limited to 2,000 students. UMF offers Bachelor's degrees, interdisciplinary concentrations, pre-professional tracks and Master's degrees in Education in western Maine.

The **University of Maine at Fort Kent** was founded in 1878 with the special mission of educating bilingual teachers for the Franco-American St. John Valley region. UMFK's academic offerings have expanded to include degrees in forestry, nursing, environmental studies, public safety administration and liberal arts.

Founded in 1909 as a teacher preparation college, the **University of Maine at Machias** now serves the needs of eastern Maine as a multi-purpose university, offering 12 baccalaureate degrees and associate degrees in three fields. Through its Environmental Liberal Arts curriculum, UMM provides an undergraduate education that is grounded in the natural, social, cultural and economic environments of coastal Maine.

The **University of Maine at Presque Isle** provides its students with opportunities for learning and professional career preparation in a caring, small-campus environment. UMPI combines a liberal arts and sciences core with professional programs, offering degrees in such areas as Athletic Training, Environmental Studies and Sustainability, Social Work, Medical Laboratory Technology, Business, Criminal Justice, Psychology and Education. Major themes in the UMPI curriculum are preparation of students for the professional workforce and hands-on learning projects that benefit the community.

The **University of Southern Maine** is dedicated to providing students with a high-quality, accessible and affordable education. From campuses in Portland, Gorham and Lewiston-Auburn, USM offers baccalaureate, master's, and doctoral programs, providing students with learning opportunities in the arts, humanities, politics, health sciences, business, mass communications, science, engineering and technology. USM is comprised of a College of Arts, Humanities, and Social Sciences, a College of Management and Human Service, a College of Science, Technology and Health, the Lewiston-Auburn College and the University of Maine School of Law.

URSUS is the online catalog of library materials held at the libraries of the seven Institutions, the Maine State Library, the Maine State Law and Legislative Library and the Bangor Public Library. There are more than 2.1 million bibliographic records and 3.5 million shared items in the catalog.

Student Enrollment

For fall 2014, the University System enrolled 22,037 students on a headcount basis. Full time equivalent (FTE) enrollment was 22,037. The following table sets forth total headcount and full-time equivalent enrollments at each Institution for fall 2014.

Institution	Total Headcount Enrollment			FTE Enrollment
	Undergraduate	Graduate	Total	
UM	9,339	1,947	11,286	9,512
UMA	4,664	----	4,664	2,615
UMF	1,773	187	1,960	1,695
UMFK	1,327	----	1,327	838
UMM	810	----	810	516
UMPI	1,138	----	1,138	779
USM	6,628	1,800	8,428	6,083
Total	25,679	3,934	29,613	22,037

The following table sets forth the fall FTE enrollment from 2010 to 2014 by Institution.

Institution	2010	2011	2012	2013	2014
UM	9,358	9,120	9,041	9,356	9,512
UMA	2,805	2,823	2,862	2,713	2,615
UMF	2,003	1,983	1,896	1,807	1,695
UMFK	705	702	779	805	838
UMM	569	537	571	542	516
UMPI	1,044	997	974	843	779
USM	7,051	6,764	6,871	6,460	6,083
TOTAL	23,535	22,926	22,993	22,526	22,037

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The tables below set forth enrollments by residence, and then by full and part-time status, on a headcount basis for the University System for a five year period ending fall 2014. Enrollments are based on registration for each fall semester as of October 15. From fall 2010 to fall 2014, headcount enrollment decreased by 2,396 students or 7.5%. For additional information about student enrollment, see Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013," Management's Discussion and Analysis (unaudited) – Student Enrollment on page D-7 hereof and – Current and Future Considerations beginning on page D-22 hereof.

The following table sets forth the fall headcount enrollment by residence from 2010 to 2014.

Fall Headcount Enrollment by Residence

							% Change	
	2010	**2011**	**2012**	**2013**	**2014**	**% of Total**	**1-Year**	**5-Year**
In-State	28,135	27,278	27,046	26,153	25,118	84.8%	-4.0%	-10.7%
Out-of-State	3,874	3,830	3,966	4,212	4,495	15.2%	6.7%	16.0%
Total	32,009	31,108	31,012	30,365	29,613	100.0%	2.5%	-7.5%

The following table sets forth the full- and part-time fall headcount enrollment from 2010 to 2014.

Full-Time and Part-Time Fall Headcount Enrollment

							% Change	
	2010	**2011**	**2012**	**2013**	**2014**	**% of Total**	**1-Year**	**5-Year**
Full-time	20,542	20,057	20,153	19,728	19,273	65.1%	-2.3%	-6.2%
Part-time	11,467	11,051	10,859	10,637	10,340	34.9%	-2.8%	-9.8%
Total	32,009	31,108	31,012	30,365	29,613	100.0%	-2.5%	-7.5%

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The following table sets forth the number of applicants, accepted applicants and enrolled students from fall 2010 to fall 2014.

University of Maine System
Fall First-Time First-Year Students
System Total

	Applicants	Accepted Applicants	Enrolled Students
Fall 2010			
Number	16,007	12,326	4,138
Percent[1]	-	77.0%	33.6%
Fall 2011			
Number	16,596	12,837	3,932
Percent[1]	-	77.3%	30.6%
Fall 2012			
Number	16,618	13,089	4,152
Percent	-	78.8%	31.7%
Fall 2013			
Number	17,855	14,375	4,263
Percent	-	80.5%	29.7%
Fall 2014			
Number	19,701	15,871	4,049
Percent		80.6%	25.5%

[1] Each amount is the percent of the previous category, i.e., accepted applicants as a percent of applicants or enrolled students as a percent of accepted applicants.

The University System awarded 5,549 degrees during academic year 2013/2014.

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Tuition and Fees

The costs of the educational program of the University System are paid primarily from State appropriations and from tuition, fees and charges set by the Board. See "CERTAIN INFORMATION REGARDING THE FINANCIAL OPERATION OF THE UNIVERSITY SYSTEM." The following tables set forth, for the five academic years 2010/2011 through 2014/2015, annual tuition by Institution charged to full-time students on the basis of in-state and out-of-state residence and room and board fees by Institution.

Annual Tuition by Institution

UNDERGRADUATE

In-State	FY11	FY12	FY13	FY14	FY15
UM	$8,010	$8,370	$8,370	$8,370	$8,370
UMA	6,240	6,510	6,510	6,510	6,510
UMF	8,032	8,352	8,352	8,352	8,352
UMFK	6,330	6,600	6,600	6,600	6,600
UMM	6,330	6,660	6,660	6,600	6,600
UMPI	6,330	6,600	6,600	6,600	6,600
USM	7,260	7,590	7,590	7,590	7,590
Weighted Average	**$7,317**	**$7,628**	**$7,619**	**$7,604**	**$7,622**
Out-of-State					
UM	$23,040	$24,090	$25,230	$25,740	$26,250
UMA	15,120	15,750	15,750	15,750	15,750
UMF	16,768	17,440	17,440	17,440	17,440
UMFK	15,930	16,560	16,560	16,560	9,900
UMM	17,610	18,480	18,480	18,480	18,480
UMPI	15,930	16,560	16,560	16,560	9,900
USM	19,620	19,950	19,950	19,950	19,950
Weighted Average	**$20,650**	**$21,315**	**$22,067**	**$22,591**	**$22,924**

GRADUATE

In-State	FY11	FY12	FY13	FY14	FY15
UM	$7,200	$7,524	$7,524	$7,524	$7,524
UMF	6,552	6,822	6,822	6,822	6,822
USM	6,552	6,840	6,840	6,840	6,840
Weighted Average	**$6,856**	**$7,144**	**$7,145**	**$7,128**	**$7,128**
Out-of-State					
UM	$20,700	$21,636	$22,662	$23,112	$23,580
UMF	-	9,900	9,900	9,900	9,900
USM	18,180	18,468	18,468	18,468	18,468
Weighted Average	**$19,812**	**$20,609**	**$21,181**	**$21,708**	**$22,104**

LAW

In-State	$20,670	$21,630	$22,290	$22,290	$22,290
Out-of-State	$31,500	$32,550	$33,360	$33,360	$33,360

Annual Room and Board Charges by Institution

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
UM	$8,766	$8,944	$9,148	$9,412	$9,296
UMF	7,854	8,168	8,454	8,674	8,970
UMFK	7,200	7,400	7,550	7,720	7,720
UMM	7,282	7,648	7,900	8,178	8,178
UMPI	6,894	7,172	7,422	7,576	7,656
USM	9,026	9,287	8,759	8,950	9,150
Weighted Average	**$8,497**	**$8,696**	**$8,780**	**$9,015**	**$9,051**

The following table sets forth University System weighted average charges for tuition, mandatory fees and room and board assessed to full-time and part-time undergraduate students on the basis of in-state and out-of-state residences for the five academic years ended June 30, 2015.

University System Weighted Average Undergraduate Annual Total Student Charges [(1)]

	Annual Tuition	Mandatory Fees	Room & Board	Total
In-State				
2010/2011	$7,317	$1,358	$8,497	$17,172
2011/2012	7,628	1,407	8,696	17,731
2012/2013	7,619	1,403	8,780	17,802
2013/2014	7,604	1,416	9,015	18,035
2014/2015	7,622	1,469	9,051	18,142
Out-of-State				
2010/2011	$20,650	$1,358	$8,497	$30,505
2011/2012	21,315	1,407	8,696	31,418
2012/2013	22,067	1,403	8,780	32,250
2013/2014	22,591	1,416	9,015	33,022
2014/2015	22,924	1,469	9,051	33,444

[(1)] Annual tuition and mandatory fees are based on 15 credit hours per semester for 2 semesters for undergraduate and law students (16 credit hours at UMF) and on 9 credit hours per semester for 2 semesters for graduate students. Tuition is charged on a per-credit-hour basis and thus part-time students are billed based on their credit-hour load. In-State undergraduate per-credit-hour charges for fall semester 2014 are: UM - $279, UMA - $217, UMF - $261, UMFK - $220, UMM - $222, UMPI - $220 and USM - $253.

As of October 31, 2014, approximately 20.4% of University System students enrolled in fall 2014 lived in residence halls owned by the University System.

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Financial Aid to Students

Students receive various forms of financial aid including grants and scholarships, which include work study programs and tuition waivers, and loans.

The following table sets forth sources and amounts (in millions of dollars) of financial assistance provided to students through the University System for the last three Fiscal Years ended June 30, 2014.

	FY2012	FY2013	FY2014
Grants and Scholarships:			
Federal	$54.2	$53.5	$52.9
State	8.2	8.1	6.4
University	53.9	55.2	60.3
Total	$116.3	$116.8	$119.6
Loans:			
Federal	$160.9	$154.9	$150.5
University	1.3	1.3	1.5
Total	$162.3	$156.2	$152.0
Total Aid	$278.6	$273.0	$271.6

Any change in the availability of financial aid may affect the University System's enrollment.

Faculty and Employees

As of October 31, 2014, the University System employed 5,366 employees on a headcount basis of whom 4,241 were full-time and 1,125 were part-time. The 5,366 employees included 104 administrators, 2,055 faculty, 1,731 professionals and 1,476 hourly. For the 2013-2014 academic year, 66.6% (847) of faculty within the University System had tenure. On a full-time equivalent basis, there were 4,709 employees. Employees on a headcount basis by location were as follows:

Location	Number of Employees - Headcount
UM	2,414
UMA	479
UMF	372
UMFK	158
UMM	112
UMPI	195
USM	1,351
System-wide Services	275
University Governance	10
Total	5,366

Certain employees of the University System are represented by six collective bargaining units: the full-time Faculty Unit; the Part-Time Faculty Unit; Professional and Administrative

Staff Unit; Clerical, Office, Laboratory and Technical Unit (COLT); Service and Maintenance Unit and Police Unit. Five units are covered by two-year contracts which expire on June 30, 2015 and one unit's contract expires on August 31, 2015. Collective bargaining for a successor contract for these six units has begun. Two additional units, the law school faculty and hourly supervisors, have never elected bargaining agents and are therefore non-represented employees.

The University System has several retirement plans covering the majority of its full-time employees. For additional information, see Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013," Notes to the Financial Statements – Note 13, Pension Plans, beginning on page D-53 hereof.

Accreditation and Affiliations

All Institutions are accredited by the New England Association of Schools and Colleges. The Institutions are affiliated with or are members of many national and international associations, such as the National Association of State Universities and Land Grant Colleges, the American Association of State Colleges and Universities, the American Association of Colleges, the American Council on Education, the American Association for Higher Education and the Council of Graduate Schools in the United States. In addition, many professional programs, such as engineering, nursing and business, are accredited by national organizations such as the Commission on Collegiate Nursing Education, the Association to Advance Collegiate Schools of Business and the Accreditation Board for Engineering and Technology. The Institutions also have articulation agreements with the State's community college system which govern the transfer of credits between the Institutions and the community colleges.

CERTAIN INFORMATION REGARDING THE FINANCIAL OPERATION OF THE UNIVERSITY SYSTEM

Revenues of the University System

University System operating revenues are derived from appropriations made to the University System by the State; sales and services of auxiliary operations; tuition, fees and self-funded activities; federal, State and local government grants and contracts; private gifts, grants and contracts; and miscellaneous sources. Tuition, fees and other charges are set by the Board in its discretion and paid directly to the University System. See "THE UNIVERSITY OF MAINE SYSTEM – Tuition and Fees" and Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013," Management's Discussion and Analysis (unaudited) – Operating and Nonoperating Revenue beginning on page D-17 hereof.

Financial Support by the State

The University System receives appropriations for support of its operations from the State Legislature. The State operates on a biennial budget cycle although the Legislature meets annually. A two-year State budget is approved during the first annual session in odd-numbered years and supplemental requests or reductions for the second year of the biennium are considered during the second annual session. The University System's request for a State appropriation for operations is submitted by the Board to the State Budget Office in September of each even-

numbered year. The Governor reviews the request of the University System, prepares a recommended budget allocating State resources among the agencies and departments of the State and forwards the budget to the State Legislature. The Legislature's Appropriations and Financial Affairs Committee recommends an appropriations act to the full Legislature. Upon passage and the Governor's signature, the budget becomes final, usually in June of the first annual session of the biennium. Generally, appropriations are disbursed in monthly installments to the University System. Appropriations for the University System are subject to increase or decrease by legislation, which may be subsequently enacted, or to reduction by action of the Governor.

The following table sets forth State general fund appropriations made and expected to be made to the University System for its operations during the ten Fiscal Years listed.

Fiscal Year Ending June 30	Amount
2006	$183,221,418
2007	193,596,418
2008	199,471,418
2009	192,392,071
2010	188,445,323
2011	193,695,388
2012	195,765,506
2013	191,662,520
2014	194,197,748
2015	195,539,723 *

* Appropriations for the University System are subject to increase or decrease by legislation which may be subsequently enacted or to reduction by action of the Governor.

Economic factors within the State, including the State's fiscal performance, significantly impact the University System. As a result of curtailments and deappropriations, the University System's appropriation continues to remain below Fiscal Year 2008 appropriation levels. During Fiscal Year 2009, the world financial crisis required the State to make significant adjustments for losses in revenue. After various adjustments, the University System's unrestricted educational and general appropriation was reduced by $8,000,000 in Fiscal Year 2009. During Fiscal Year 2010, there was an appropriation reduction of $7,000,000 and an additional curtailment of $7,500,000, of which $1,500,000 was restored. Although the Fiscal Year 2010 curtailment of $6,000,000 was restored, no additional funds were appropriated for Fiscal Year 2011. In Fiscal Year 2012, the University System's appropriation increased $2,000,000, but in Fiscal Year 2013 the appropriation decreased as the State reduced the appropriation by an initial $2,300,000 and later curtailed an additional $2,500,000. In Fiscal Year 2014, the $2,500,000 was restored. The University System's Fiscal Year 2015 educational and general appropriation is currently at the Fiscal Year 2014 level. Noncapital State appropriations comprised 29% of total University System operating and net nonoperating revenues in Fiscal Years 2013 and 2014.

In addition to appropriations for operations, the State Legislature from time to time authorizes borrowing, subject to ratification by the voters of the State, to pay costs of construction, renovation and improvement of facilities and costs of other capital projects considered by the University System to be non-revenue producing facilities and projects.

Following is information pertaining to such borrowings authorized by the voters of the State since 2002 and amounts received by the University System as of January 1, 2015.

Voter Authorization Date	Amount Authorized	Amount Received
June, 2002	$14,807,000	$14,807,000
June, 2003	18,000,000	18,000,000
November, 2003	4,500,000	4,500,000
November, 2005	5,800,000	5,800,000
November, 2007	23,000,000	22,925,536
June, 2010	20,500,000	13,669,182
November, 2013	15,500,000	1,292,316
November, 2014	8,800,000	-0-

The University System does not reimburse the State for debt service on such borrowing, unless required to do so by the State. The University System has no outstanding obligation to reimburse the State for any debt service on any such borrowing by the State.

For additional information about current projects, see Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013," Management's Discussion and Analysis (unaudited) – Table 7, Major Capital Construction Projects Completed During FY14 or In Progress at June 30, 2014 on page D-14 hereof.

In addition to appropriations and to borrowing on behalf of the University System by the State, the University System is authorized to borrow money pursuant to the Act for certain purposes. See "DEBT OF THE UNIVERSITY SYSTEM – Provisions of the Act Enabling the University System to Incur Debt."

Auxiliary and Self-Funded Activities

The University System operates various revenue-producing auxiliary enterprises which serve the student population. Among these enterprises are student housing, dining halls, student centers, bookstores, student health centers, recreation facilities and organized student activities. Revenue from such enterprises includes dormitory and other facility fees, food and book sale receipts, student fees and other miscellaneous revenues.

Other Sources of Funds

Other sources of revenue include interest income, earnings on investments of the University System, fees from sales and services by the educational departments, endowment, land and permanent fund income, indirect cost recovery, sale of assets and public service fees.

Restricted Revenues

The United States of America, through various appropriations, grant and contract programs and financial aid programs, provides a substantial portion of the University System's current restricted funds revenues. The University System also receives grants and contracts from State and private sources for sponsored research and instruction, as well as gifts and grants for

scholarships and fellowships. The University System believes it has complied with all material conditions and requirements imposed by such funding sources. See Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013" for additional information.

Endowment

The market value of the University System's total endowment investments as of the end of Fiscal Years 2010 through 2014 is set forth below.

Fiscal Year	Endowment Market Value
2010	$104,392,929
2011	124,998,609
2012	121,077,004
2013	132,689,948
2014	150,403,762

Post-Employment Health Care Benefits

Under Governmental Accounting Standards Board ("GASB") statement 45 ("GASB 45") the University System is required to account for other postemployment benefits ("OPEB"), primarily healthcare, on an accrual basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses and Changes in Net Position when future retirees earn their OPEB, rather than when they use their OPEB. To the extent that an entity does not fund its actuarially required contribution, an OPEB liability is recognized on the Statement of Net Position over time.

OPEB continues to result in significant, increasing costs for the University System. Over the past several years, to reduce its liability and the annual required contribution ("ARC"), the University System has made changes in retiree health plan eligibility rules and premium contributions, replaced the Medicare supplement plan with a Medicare Advantage Plan and funded an irrevocable OPEB trust which was established in Fiscal Year 2009.

As of July 1, 2013, the date of the most recent actuarial study, the University System's actuarial accrued liability for OPEB was $169,893,036. Since implementation of GASB 45 on July 1, 2007, the University System has fully funded the ARC which has ranged from approximately $13,000,000 to approximately $20,000,000 per year. The fair market value of the OPEB trust at June 30, 2014 was $95,007,184.

For additional information about the University System's post-employment health care benefits, see Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013," Notes to the Financial Statements – Note 14, Postemployment Health Plan, beginning on page D-58 hereof.

Current Challenges, Commitment and Vision

The Institutions and the State as a whole are facing demographic, economic and fiscal challenges. In particular, the University System faces the combined challenges of a declining population of college-bound high school students in Maine and throughout New England, enhanced competition for students, little ability or desire to increase the tuition burden on Maine families and flat or declining State appropriations in recent years. The University System is fully committed to wholesale, structural change to meet these challenges and to ensure that the Institutions continue to serve their students and Maine businesses and communities.

The entire student population of the seven Institutions is comparable to that of a single public university in many parts of the country. Recognizing the costs of these administrative redundancies, the University System is moving to a single administrative structure defined by function rather than location. While Maine's vast rural landscape requires a commitment to the University System's multicampus structure with its emphasis on regional needs and opportunities, the Institutions are each refining their strategic focus to achieve competitive advantage. Through an inclusive, intercampus academic planning process, the University System will deliver a more rich and diverse set of programs to all its students regardless of location. For additional information about the academic portfolio review, see Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013," Management's Discussion and Analysis (unaudited) – Current and Future Considerations beginning on page D-22 hereof.

The Board has no stronger commitment than to ensure that a quality education is affordable for all Maine families. The Board has made a nation-leading commitment to affordability that is reducing barriers to our classrooms and the burden of indebtedness for our graduates. This commitment is a key part of the Vision for the University of Maine System that was adopted at the July 2014 Board meeting: The University of Maine System is an integrated system of distinct campuses, centers, and other facilities operating in concert to provide high-quality educational undergraduate and graduate opportunities that are accessible, affordable, and relevant to the needs of Maine students, businesses, and communities. It drives economic development by conducting world-class research, commercializing valuable ideas, and partnering successfully with businesses and industries throughout Maine and beyond. It is the State's most engaged and responsive institution working on behalf of all Maine citizens, communities, and institutions. It is Maine's most important public asset.

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Summary of Historical Financial Performance

The University System's financial performance for the years ended June 30, 2010 through 2012 is summarized below. This summary information is derived from the University System's audited financial statements for those years. Due to the implementation of GASB Statements 63 and 65 as of July 1, 2012, which resulted in a new reporting format, the June 30, 2013 and 2014 financial information is not included here. See Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013."

Statements of Net Assets
(In Thousands of Dollars)
Fiscal Years Ended June 30

	2012	2011	2010
Assets			
Current Assets			
Cash and cash equivalents	$ 1,125	$ 2,335	$ 373
Short-term investments	244,412	224,077	196,195
Accounts, grants, and pledges receivable, net	63,889	63,439	54,249
Inventories and prepaid expenses	5,106	4,728	7,654
Notes and lease receivable, net	63	63	63
Total Current Assets	314,595	294,642	258,534
Noncurrent Assets			
Deposits with bond trustees	10,191	3,374	5,211
Accounts, grants, and pledges receivable, net	9,318	8,219	4,475
Notes and leases receivable, net	39,344	38,934	38,699
Endowment investments	121,077	124,999	104,393
Bond issuance costs, net	2,052	1,601	1,812
Capital assets, net	683,724	668,362	644,150
Total Noncurrent Assets	865,706	845,489	798,740
Total Assets	**$ 1,180,301**	**$ 1,140,131**	**$ 1,057,274**
Liabilities			
Current Liabilities			
Accounts payable	$ 18,011	$ 19,047	$ 15,391
Deferred revenue and deposits	12,300	13,780	13,537
Accrued liabilities	37,089	28,739	28,829
Funds held for others	1,380	1,254	1,015
Current portion of capital lease obligations	339	611	283
Current portion of bonds and notes payable	10,197	9,802	8,987
Total Current Liabilities	79,316	73,233	68,042
Noncurrent Liabilities			
Accrued liabilities	44,660	43,505	41,438
Funds held for others	16,829	18,494	15,055
Capital lease obligations	3,754	3,989	2,219
Bonds and notes payable, net	179,390	182,164	191,966
Government advances refundable	31,009	31,371	31,348
Total Noncurrent Liabilities	275,642	279,523	282,026
Total Liabilities	354,958	352,756	350,068
Net Assets			
Invested in capital assets, net of related debt	500,486	474,556	444,471
Restricted			
Nonexpendable	55,362	51,984	48,602
Expendable	92,863	94,978	86,301
Unrestricted	176,632	165,857	127,832
Commitments and contingencies	-	-	
Total Net Assets	825,343	787,375	707,206
Total Liabilities and Net Assets	**$ 1,180,301**	**$ 1,140,131**	**$ 1,057,274**

Statements of Revenues, Expenses, and Changes in Net Assets
(In Thousands of Dollars)
Fiscal Years Ended June 30

	2012	2011	2010
Operating Revenues			
Tuition and fees	$ 266,043	$ 260,703	$ 250,826
Residence and dining fees	57,401	59,499	58,763
Less: scholarship allowances	(81,999)	(81,458)	(73,331)
Net student fees	241,445	238,744	236,258
Federal, state, and private grants and contracts	161,877	168,649	156,441
Recovery of indirect costs	16,130	17,150	15,174
Educational sales and services and other revenues	31,294	31,404	32,367
Other auxiliary enterprises	25,778	27,924	29,258
Total Operating Revenues	476,524	483,871	469,498
Operating Expenses			
Instruction	178,722	178,121	179,975
Research	73,026	79,142	74,729
Public service	63,622	61,215	60,004
Academic support	77,048	72,879	67,394
Student services	47,769	46,938	46,692
Institutional support	56,216	50,290	47,159
Operation and maintenance of plant	46,957	48,762	45,527
Depreciation and amortization	30,422	28,739	27,401
Student aid	28,291	27,795	25,156
Auxiliary enterprises	70,349	72,905	73,886
Total Operating Expenses	672,422	666,786	647,923
Operating Loss	(195,898)	(182,915)	(178,425)
Nonoperating Revenues (Expenses)			
Noncapital State of Maine appropriations	197,656	195,327	190,078
State Fiscal Stabilization Fund	62	6,541	7,152
Gifts currently expendable	12,448	10,922	11,382
Endowment return used for operations	4,862	4,860	4,622
Investment income	4,596	10,663	10,733
Interest expense, net	(8,032)	(8,485)	(9,046)
Net Nonoperating Revenue	211,592	219,828	214,921
Income Before Other Changes in Net Assets	**15,694**	**36,913**	**36,496**
Other Changes in Net Assets			
State of Maine capital appropriations	5,450	4,104	6,879
Capital grants and gifts	19,695	22,556	7,784
Endowment return (loss), net of amount used for operations	(6,419)	14,358	4,864
True and quasi endowment gifts	3,582	2,291	321
Loss on disposal of capital assets	(34)	(53)	(643)
Total Other Changes in Net Assets	22,274	43,256	19,205
Change in Net Assets	**37,968**	**80,169**	**55,701**
Net Assets - Beginning of Year	787,375	707,206	651,505
Net Assets - End of Year	$ 825,343	$ 787,375	$ 707,206

Internal Audits

The University System outsources internal audit work, utilizing a prequalified pool of professional service firms. Internal audit reports are provided to the Vice Chancellor for Finance and Administration and Treasurer and to the Audit Committee of the Board.

Unrestricted Operations

The Board annually reviews and approves the University System's unified operating budget for each Fiscal Year and receives an update on forecasted results three times during the Fiscal Year.

The Fiscal Year 2014 actual results versus budget are presented below, along with Fiscal Year 2013 actual results.

FY2014 ACTUAL vs. BUDGET

	FY2013 ACTUAL	FY2014 ANNUAL BUDGET	FY2014 ACTUAL	FY2014 ACTUAL vs. ANNUAL BUDGET VARIANCE $	%
Budgeted Annual Operations					
Revenues					
Tuition & Fee Revenue	$270,339,687	$272,317,725	$268,667,441	($3,650,284)	(1.3%)
Dining & Residence Revenue	57,551,890	60,976,962	60,042,361	(934,601)	(1.5%)
Tuition Waivers/Scholarships	(51,901,244)	(54,111,156)	(55,000,047)	(888,891)	1.6%
Net Student Charges Revenue	275,990,333	279,183,531	273,709,755	(5,473,776)	(2.0%)
State Appropriation	176,159,570	178,694,798	178,694,798	0	0.0%
State Fiscal Stabilization Funds - ARRA	0	0	0	0	
Other Income	77,924,687	64,030,119	78,354,162	14,324,043	22.4%
Total Revenues	**$530,074,590**	**$521,908,448**	**$530,758,715**	**$8,850,267**	1.7%
Expenses					
Compensation & Benefits	$341,631,345	$352,878,048	$348,136,122	$4,741,926	1.3%
Fuel & Electricity	19,918,455	21,586,972	21,675,969	(88,997)	(0.4%)
Supplies & Services	41,119,294	36,568,762	38,744,637	(2,175,875)	(6.0%)
Travel	6,417,271	6,087,049	6,468,596	(381,547)	(6.3%)
Memb., Contrib. & Sponsorships	2,092,116	1,312,689	1,273,045	39,644	3.0%
Interest Expense	7,663,720	7,099,904	6,329,542	770,362	10.9%
Depreciation	28,141,544	30,669,802	29,740,895	928,907	3.0%
Other Expenses/Transfers	76,184,880	72,159,232	73,042,250	(883,018)	(1.2%)
Total Expenses	**$523,168,625**	**$528,362,458**	**$525,411,056**	**$2,951,402**	0.6%
Operating Increase (Decrease)	**$6,905,965**	**($6,454,010)**	**$5,347,659**	**$11,801,669**	
Modified Cash Flow					
Operating Increase (Decrease)	$6,905,965	($6,454,010)	$5,347,659	$11,801,669	(182.9%)
Plus Depreciation	28,141,544	30,669,802	29,740,895	(928,907)	(3.0%)
Less Capital Expenditures & Reserve Fundi	(16,216,283)	(14,582,801)	(10,726,242)	3,856,559	(26.4%)
Less Debt Service Principal	(9,208,408)	(9,596,510)	(10,073,224)	(476,714)	5.0%
Net Change in Cash	**$9,622,818**	**$36,481**	**$14,289,088**	**$14,252,607**	
Reserve Transfer - Tuition Mitigation	1,011,213	-	-		
Net Change in Cash-Budgeted Annual Operations	**$10,634,031**	**$36,481**	**$14,289,088**		

Unrestricted Operations – Fiscal Year 2015 Budget

The University System Fiscal Year 2015 budget is based on flat unrestricted appropriations by the State and projected University System credit hour enrollments that are 1.6% below the Fiscal Year 2014 budget and 1.2% above Fiscal Year 2014 actual. For in-state, undergraduate students, the weighted average student charges for the University System result in a:

- 0.2% tuition increase,
- 0.0% unified mandatory fee increase,
- 0.4% room and board increase and
- 0.6% comprehensive student charge (i.e., tuition, mandatory fees, room and board) increase).

In keeping with the Board's priority of ensuring affordable education for Maine's citizens, for the first time since 1984-1987, there has been no in-state undergraduate or graduate tuition increase for 3 consecutive years. The flagship campus, the University of Maine, has the lowest in-state tuition and mandatory fees in New England and the second lowest out-of-state tuition and mandatory fees.

The Fiscal Year 2014 actual results versus budget are presented on the following page, along with the Fiscal Year 2015 budget.

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	FY2014 ANNUAL BUDGET		FY2014 ACTUAL		FY2015 ANNUAL BUDGET	
Revenues						
Tuition & Fee Revenue	$272,317,725	52%	$268,667,441	50%	$273,453,470	53%
Dining & Residence Revenue	60,976,962	12%	60,042,361	11%	59,981,521	12%
Tuition Waivers/Scholarships	(54,111,156)	-10%	(55,000,047)	-10%	(60,532,855)	-12%
Net Student Charges Revenue	279,183,531	54%	273,709,755	51%	272,902,136	53%
State Appropriation	178,694,798	34%	178,694,798	34%	178,694,798	35%
Other Income (Indirect Cost Recovery, Investments/Gifts, Sales & Services	64,030,119	12%	78,354,162	15%	63,359,291	12%
Total Revenues	**$521,908,448**	100%	**$530,758,715**	100%	**$514,956,225**	100%
Expenses						
Compensation & Benefits	$352,878,048	67%	$348,136,122	67%	$358,882,224	68%
Fuel & Electricity	21,586,972	4%	21,675,969	4%	21,231,199	4%
Supplies & Services	36,568,762	7%	38,744,637	7%	50,684,487	10%
Travel	6,087,049	1%	6,468,596	1%	6,156,567	1%
Memb., Contrib. & Sponsorships	1,312,689	0%	1,273,045	0%	1,293,383	0%
Interest Expense	7,099,904	1%	6,329,542	1%	6,744,415	1%
Depreciation	30,669,802	6%	29,740,895	6%	30,213,519	6%
Other Expenses/Transfers/Matches	72,159,232	14%	73,042,250	14%	53,453,142	10%
Total Expenses	**$528,362,458**	100%	**$525,411,056**	100%	**$528,658,936**	100%
Operating Increase (Decrease)	**($6,454,010)**		**$5,347,659**		**($13,702,711)**	
Modified Cash Flow						
Operating Increase (Decrease)	($6,454,010)		$5,347,659		($13,702,711)	
Plus Depreciation	30,669,802		29,740,895		30,213,519	
Less Capital Expenditures & Reserve Funding	(14,582,801)		(10,726,242)		(14,796,951)	
Less Debt Service Principal	(9,596,510)		(10,073,224)		(10,161,564)	
Net Change Before Reserve Transfers	**$36,481**		**$14,289,088**		**($8,447,707)**	
Transfers From/(To) Reserves						
Transfers From Reserves to Balance Campus Budgets	-				11,595,910	
Administrative Savings transferred to BOT investments	-				(3,011,260)	
Net Change in Cash & Reserve Transfers	**$36,481**				**$136,943**	

Fiscal Year 2015 University System Financial Forecast

The University System uses current financial data to project year end performance at three key intervals during the Fiscal Year. The Fiscal Year 2015 forecast as of November 30, 2014 projects an operating loss of $14.2 million before any utilization of reserves, as further discussed in the following paragraph. This compares with a budgeted operating loss of $8.4 million, which is identified in the Fiscal Year 2015 budget on page 30 as "Net Change Before Reserve Transfers." The primary factor driving the increased projected operating loss is a $4.1 million negative investment income variance. The forecast reflects only the operating investment results as of November 30, 2014 and does not project any future gains or losses. Other factors impacting the projected operating loss include average University System FTE enrollments for fall 2014 of 3.4% below budget and average residence hall occupancy also at 3.4% below budget.

The University System has established certain reserves which could be used to fund a budget shortfall if investment performance does not support the $3 million budget allocated to this revenue item in Fiscal Year 2015. A portion of these reserves, termed "budget

stabilization," is an accumulation of unspent returns from operating investments. This reserve was established to enable the University System to weather difficult financial markets and economic conditions and to address other financial challenges. The balance was $21 million and $15 million, at June 30, 2014 and 2013, respectively. See Appendix D, "Certain Financial Information Pertaining to the University of Maine System for the Fiscal Years Ended June 30, 2014 and June 30, 2013," Notes to the Financial Statements – Note 10, Net Position, on page D-51 hereof.

DEBT OF THE UNIVERSITY SYSTEM

Existing Indebtedness

The Prior Bonds are Outstanding in the aggregate principal amount of $145,820,000 as of the date hereof. Annual debt service requirements for the Prior Bonds are presented under "DEBT SERVICE REQUIREMENTS" herein.

Provisions of the Act Enabling the University System to Incur Debt

The Act enables the University System to borrow money and enter into financing transactions in its own name, on behalf of the State, to provide money for the financing of acquisition, construction, reconstruction, improvement and equipping of facilities, structures and related systems in furtherance of the purposes of the University System and for the refunding of the Prior Bonds, all to the public benefit and good. The exercise of these powers, to the extent and manner provided in the Act, is declared by the Act to be for a public purpose and to be the exercise of an essential governmental function. Pursuant to the Act, the University System is authorized to borrow money and issue evidences of indebtedness to finance the acquisition, construction, reconstruction, improvement or equipping of any one project, or more than one, or any combination of projects, or to refund evidences of indebtedness issued to finance any project or projects, or to refund any such refunding evidences of indebtedness or for any one, or more than one, or all of those purposes, or any combination of those purposes, and to provide for the security and payment of those evidences of indebtedness and for the rights of the holders of them.

The Act provides that any borrowing pursuant to the Act, exclusive of borrowing to refund evidences of indebtedness, to refund general obligation debt of the State, or to fund issuance costs or necessary reserves, shall not exceed in the aggregate principal amount outstanding at any time an amount specified in the Act (presently $220,000,000) (the "Debt Ceiling"), except that no borrowing may be effected pursuant to the Act unless the amount of the borrowing and the project or projects are submitted to the State Legislature's Office of Fiscal and Program Review for review by the State Legislature's Joint Standing Committee on Appropriations and Financial Affairs at least thirty days before closing on such borrowing for the project or projects is to be initiated, unless such thirty-day period is waived by law. The amount of the borrowing for (i) the financing of the Projects and (ii) the refunding of the Prior Bonds with the proceeds of the Series 2015 Bonds was submitted to the Office of Fiscal and Program Review on February 2, 2015. As of the date of delivery of the Series 2015 Bonds, it is expected that approximately $153,944,904 of debt (exclusive of (i) borrowing to refund debt, (ii) debt issued to refund general obligation debt of the State and (iii) debt issued to finance issuance costs and necessary reserves) will be outstanding pursuant to the Debt Ceiling.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2015 Bonds are subject to the approving opinion of Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, Bond Counsel to the University System, in substantially the form of Appendix B hereto. Bond Counsel to the University System is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters set forth as their opinion) and makes no representation that they have independently verified the same. Certain legal matters will be passed upon for the University System by its counsel, J. Kelley Wiltbank, Esq., Bangor, Maine.

TAX MATTERS

Exclusion of Interest on Series 2015 Bonds from Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Series 2015 Bonds in order to assure that interest on the Series 2015 Bonds will be excluded from gross income for federal income tax purposes pursuant to section 103 of the Code. Failure of the University System to comply with such requirements may cause interest on the Series 2015 Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2015 Bonds. The University System will covenant to comply with the provisions of the Code applicable to the Series 2015 Bonds and will covenant not to take any action or permit any action that would cause the interest on the Series 2015 Bonds to be included in gross income pursuant to section 103 of the Code or that would cause interest on the Series 2015 Bonds to be an item of tax preference pursuant to section 57 of the Code.

Assuming that the University System observes its covenants with respect to compliance with the Code, Preti, Flaherty, Beliveau & Pachios, LLP, Bond Counsel to the University System, is of the opinion that, under existing law, interest on the Series 2015 Bonds is excluded from the gross income of the owners of the Series 2015 Bonds for federal income tax purposes pursuant to section 103 of the Code and interest on the Series 2015 Bonds is not an item of tax preference pursuant to section 57 of the Code for purposes of computing alternative minimum tax.

Exemption of Interest on Series 2015 Bonds From Taxation Within the State of Maine

In the opinion of Bond Counsel to the University System, interest on the Series 2015 Bonds is exempt from taxation within the State pursuant to 20-A MRSA §10960.

Original Issue Discount

Certain maturities of the Series 2015 Bonds (the "Discount Bonds") may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Bond Counsel to the University System is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income pursuant to section 103 of the Code to the same extent as

stated interest on the Discount Bonds. Pursuant to section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Series 2015 Bonds (the "Premium Bonds") may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences

In the case of certain corporate Holders of the Series 2015 Bonds, interest on the Series 2015 Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Series 2015 Bonds in "adjusted current earnings" of certain corporations.

Prospective purchasers of the Series 2015 Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series 2015 Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Series 2015 Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the "Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the Holders is properly excludable from gross income for

federal income tax purposes. It cannot be predicted whether the Series 2015 Bonds will be audited. If an audit is commenced, under current Service procedures Holders of the Series 2015 Bonds may not be permitted to participate in the audit process and the value and liquidity of the Series 2015 Bonds may be adversely affected.

Changes in Federal Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Series 2015 Bonds, gain from the sale or other disposition of the Series 2015 Bonds, the market value of the Series 2015 Bonds or the marketability of the Series 2015 Bonds. For example, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of these legislative proposals. If enacted into law, such proposals (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the exclusion from gross income of interest on, or the market price or marketability of, tax-exempt bonds (including the Series 2015 Bonds). Prospective purchasers of the Series 2015 Bonds should consult their tax and financial advisors regarding such matters.

Extent of Opinion

Bond Counsel to the University System expresses no opinion regarding any tax consequences of holding the Series 2015 Bonds other than its opinion with regard to (a) the exclusion of interest on the Series 2015 Bonds from gross income pursuant to section 103 of the Code, (b) interest on the Series 2015 Bonds not constituting an item of tax preference pursuant to section 57 of the Code and (c) the exemption of interest on the Series 2015 Bonds from taxation within the State pursuant to 20-A MRSA §10960. Prospective purchasers of the Series 2015 Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Series 2015 Bonds.

FINANCIAL STATEMENTS

Included in Appendix D hereto are the financial statements of the University System as of, and for the years ended, June 30, 2014 and June 30, 2013, together with the report (the "Auditor's Report") dated November 17, 2014 of Berry Dunn McNeil & Parker, LLC, independent auditors of the financial statements for the year ended June 30, 2014. The financial statements for the years ended June 30, 2014 and June 30, 2013 have been included herein in reliance upon the Auditor's Report.

Berry Dunn McNeil & Parker, LLC, independent auditors of the financial statements for the year ended June 30, 2014, has not been engaged to perform and has not performed, since the date of the Auditor's Report, any procedures on the financial statements addressed in the Auditor's Report. Berry Dunn McNeil & Parker, LLC also has not performed any procedures relating to this Official Statement.

LITIGATION

There is not now pending or threatened any litigation or proceeding restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Series 2015 Bonds or the effectiveness of the Bond Resolution, or contesting, questioning or affecting the proceedings and authority under which the Series 2015 Bonds have been authorized and are to be issued, sold, executed and delivered, or the validity of the Series 2015 Bonds. Neither the creation, organization or existence of the University System nor the appointment or qualification of the present members of the Board or the present officers of the University System to their respective offices is being questioned or contested.

The University System is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations. These proceedings are unrelated to the Series 2015 Bonds or the proceedings relating to the issuance of the Series 2015 Bonds. The ultimate disposition of such proceedings is not presently determinable, but will not, in the opinion of counsel to the University System, have a material adverse effect on the Series 2015 Bonds or the financial condition of the University System.

FINANCIAL ADVISOR

PFM has served as financial advisor to the University System in connection with the issuance of the Series 2015 Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement including the appendices hereto. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities, including the Series 2015 Bonds, or other public securities.

RATING

It is currently expected that S&P will assign its municipal bond rating of "AA" to the Series 2015 Bonds based on the issuance of the Policy by AGM. In addition, S&P has assigned its municipal bond rating of "AA-" to the Series 2015 Bonds based solely on its evaluation of the Series 2015 Bonds without giving effect to the Policy. Such ratings express only the views of such rating agency. Certain information and materials were furnished to such rating agency to be considered in evaluating the Series 2015 Bonds and some of such information and materials have not been included in this Official Statement. Any desired explanation of the significance of either such rating should be obtained from such rating agency. There is no assurance that either such rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of either such rating could have an adverse effect on the market prices of the Series 2015 Bonds. Neither such rating is a recommendation to buy, sell or hold the Series 2015 Bonds.

CONTINUING DISCLOSURE

In order to assist any purchaser of the Series 2015 Bonds who is obligated to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the University System will deliver its Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") on the date of delivery of the Series 2015 Bonds. The Continuing Disclosure Certificate will be for the benefit of the Holders of the Series 2015 Bonds and beneficial owners will be third-party beneficiaries thereof. In the Continuing Disclosure Certificate, the form of which is attached hereto as Appendix E, the University System will undertake for the benefit of the Holders of the Series 2015 Bonds to provide, among other information, certain financial information pertaining to the University System in an annual report (the "Annual Report"), by not later than 180 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2015, and to provide notices of certain enumerated events. The University System will cause the Annual Report and such notices to be provided to, and in the manner prescribed by, the Municipal Securities Rulemaking Board. The information to be contained in the Annual Report and the events requiring notice are set forth in Appendix E, "Proposed Form of Continuing Disclosure Certificate," attached hereto.

In the previous five years the University System has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of Rule 15c2-12.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by PFM on behalf of the University System relating to (a) computation of forecasted receipts of principal and interest on the Investment Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds and (b) computation of the yields on the Refunding Bonds and the Investment Securities was examined by The Arbitrage Group, Inc. Such computations were based solely upon assumptions and information supplied by PFM on behalf of the University System. The Arbitrage Group, Inc. restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

SALE OF SERIES 2015 BONDS

The Series 2015 Bonds were offered for sale at competitive bidding on March 18, 2015 in accordance with the Official Notice of Sale dated March 10, 2015 and included herein as Appendix F. Fidelity Capital Markets (the "Underwriter") was the successful bidder for the Series 2015 Bonds. Information provided by the Underwriter regarding the interest rates and reoffering yields of the Series 2015 Bonds is set forth on the inside cover page of this Official Statement. The Series 2015 Bonds are being purchased from the University System by the Underwriter at an aggregate price of $53,154,405.58 which is the principal amount of $48,450,000.00 plus net original issue premium of $5,169,445.35 less the Underwriter's discount of $465,039.77. The initial public offering prices may be changed, from time to time, by the Underwriter. The Underwriter may offer and sell the Series 2015 Bonds to certain dealers

(including dealers depositing Series 2015 Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering prices set forth on the inside cover page hereof.

MISCELLANEOUS

Any provision of the laws of the State, the Series 2015 Bonds and other documents set forth or referred to in this Official Statement are only summarized and such summaries do not purport to be complete, comprehensive or definitive statements of any of such provisions. Statements regarding specific documents, including the Series 2015 Bonds, are subject to the detailed provisions of such documents and are qualified in their entirety by reference to each such document, copies of which will be on file with the University System, 16 Central Street, Bangor, Maine 04401.

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the State, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the University System. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. No representation is made that any such opinion will actually be borne out. The various tables may not add due to rounding of figures.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the University System since the date of this Official Statement, except as expressly stated.

The information relating to DTC and the book-entry-only system set forth in Appendix C, "The Depository Trust Company and the Book-Entry-Only System," has been furnished by DTC. No representation is made by the University System as to the adequacy or accuracy of such information as of the date hereof or as to the absence of material adverse changes in such information subsequent to the date hereof.

The information relating to AGM and the Policy set forth in this Official Statement, including the information on the cover page hereof, on the inside cover page hereof, under the heading "BOND INSURANCE" herein and in Appendix G, "Specimen Municipal Bond Insurance Policy," has been furnished by AGM. No representation is made by the University System as to the adequacy or accuracy of such information as of the date hereof or as to the absence of material adverse changes in such information subsequent to the date hereof.

This Official Statement is not to be construed as a contract or agreement between the University System and the purchasers or owners of any of the Series 2015 Bonds. The execution and distribution of this Official Statement has been duly authorized by the Board.

UNIVERSITY OF MAINE SYSTEM

By: /s/Rebecca M. Wyke

March 18, 2015

Rebecca M. Wyke
Vice Chancellor for Finance and
Administration and Treasurer

APPENDIX A

TERMS OF ISSUANCE OF THE SERIES 2015 BONDS

Following are the substantially final Terms of Issuance of the Series 2015 Bonds which will be incorporated by reference in the Series 2015 Bonds.

ARTICLE I

DEFINITIONS

The following terms shall, for all purposes of these Terms, have the following meanings unless the context shall clearly indicate some other meaning:

"Act" means Title 20-A, Chapters 411 and 412 of the Maine Revised Statutes, as amended from time to time.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) by or against the Issuer under applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

"Arbitrage and Use of Proceeds Certificate" means any such certificate so named and delivered by the Issuer in connection with the issuance of the Bonds.

"Bond" or "Bonds" means the University of Maine System Revenue Bonds, Series 2015 dated as of the date of their delivery and executed on behalf of the Issuer including the Terms which are incorporated in the Bonds by reference and made a part of the Bonds to the same extent as if the Terms were fully set forth therein and including any bond or bonds issued in exchange or replacement therefor.

"Bond Counsel" means an attorney or firm of attorneys with recognized standing in the field of municipal bond financing.

"Bondholder" or "Holder of Bonds" or "owner of Bonds" or "Holder" means the registered owner of any Bond, as the context requires.

"Business Day" means any day of the year other than (i) a Saturday or Sunday, (ii) a day on which commercial banks located in Portland, Maine, or in the city in which the Principal Office of the Paying Agent is located, are authorized by law to close, or (iii) a day on which the New York Stock Exchange is closed.

"Cede" means Cede & Co. as nominee of DTC or any successor nominee with respect to the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor provisions thereto and the regulations from time to time promulgated or proposed thereunder.

"Costs" mean all items permitted to be financed under the provisions of the Act, including, but not limited to, the following costs as applied to a Project or any portion of a Project:

(i) the purchase price or acquisition cost of a Project;

(ii) the cost of construction, building, alteration, enlargement, reconstruction, renovation, improvement, equipping and remodeling;

(iii) the cost of all labor, materials, building systems, machinery and equipment;

(iv) the cost of all lands, structures, real or personal property, rights, easements and franchises acquired;

(v) the cost of all utility extensions, access roads, site development, financing charges, premium for insurance, interest prior to and during construction and for 6 months thereafter;

(vi) the cost of working capital related to the Project;

(vii) the cost of plans and specifications, surveys and estimates of cost and of revenues;

(viii) the cost of engineering, feasibility studies, legal and other professional services;

(ix) the cost of reserves for payment of future debt service related to bonds issued pursuant to the Act and for improvements;

(x) the cost of all other expenses necessary or incident to determining the feasibility or practicability of such construction;

(xi) administrative and operating expenses; and

(xii) such other expenses as may be necessary or incident to the issuance of bonds pursuant to the Act.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state or the District of Columbia.

"DTC" means The Depository Trust Company, the principal office of which is in New York, New York.

"Event of Default" means any occurrence or event specified in Section 6.01 hereof.

"Fiscal Year" means a 12-month period commencing on the first day of July of any year, and ending on the next succeeding June 30, or such other 12-month period adopted as the fiscal year of the Issuer.

"Interest Payment Date" means March 1 and September 1 of each year in which Bonds are Outstanding.

"Issuance Expenses" means, without limitation, legal, accounting, underwriting and placement fees and expenses, printing costs, rating agency fees, initial fees and expenses of the Paying Agent, the fees, expenses and other fees and expenses of Bond Counsel and other counsel fees and expenses, and other fees and expenses incurred or to be incurred by or on behalf of the Issuer, as may be necessary or incident to the preparation of documents and the issuance and sale of the Bonds.

"Issuer" means the University of Maine System, an instrumentality and agency of the State of Maine, or any successor thereto. The "Principal Office" of the Issuer is located in Bangor, Maine and may be relocated by the Issuer without notice to Bondholders.

"Issuer Officer" means the Chancellor, Treasurer, Controller, Clerk or University Counsel of the Issuer and, when used with the reference to an act or document, also means any other person authorized by resolution of the Issuer to perform such act or sign such document.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been delivered by the Issuer, excluding:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds which have not been presented for payment when the principal thereof becomes due, as more fully set forth in Section 2.06 hereof;

(c) Bonds deemed paid under Article V hereof; and

(d) Bonds in lieu of which other Bonds have been issued pursuant to section 2.03 or 2.04 hereof.

"Paying Agent" means any commercial bank or trust company designated pursuant hereto to serve as a paying agency or place of payment for the Bonds, including any co-paying agent, and any successors designated pursuant hereto. Initially, the Paying Agent shall be U.S. Bank National Association. The "Principal Office" of the Paying Agent means the office of the Paying Agent located in Boston, Massachusetts.

"Person" means any natural person, firm, association, corporation, company, trust, partnership, joint venture, joint stock company, municipal corporation, public body or other entity.

"Principal Installments" mean the payments of principal of the Bonds due on any Principal Payment Date, which are required to be made by the Issuer herein or pursuant to the Bonds.

"Principal Payment Date" means March 1 of each year in which Bonds are Outstanding.

"Project" means any structure designed for use as a dormitory or other housing facility, dining facility, student union, academic building, administrative facility, library, classroom building, research facility, faculty facility, office facility, athletic facility, health care facility, laboratory, maintenance, storage or utility facility or other building or structure essential, necessary or useful for instruction in a program of education provided by the Issuer; or any multipurpose structure designed to combine 2 or more of the functions performed by the types of structures enumerated in this paragraph, including, without limitation, improvements, reconstruction, additions and equipment acquired in connection with the project or in connection with the operation of any such currently existing facilities. "Project" includes all real and personal property, lands, improvements, driveways, roads, approaches, pedestrian access roads, parking lots, parking facilities, rights-of-way, utilities, easements and other interests in land, machinery and equipment, and all appurtenances and facilities either on, above or under the ground that are used or usable in connection with any of the structures mentioned in this paragraph. "Project" also includes landscaping, site preparation, furniture, machinery, equipment and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended, but does not include such items as books, fuel, supplies or other items that are customarily considered as a current operating charge, together with any other asset included within the definition of "Project" as such term is defined in the Act.

"Record Date" means, as the case may be, the applicable Regular Record Date or Special Record Date.

"Redemption Price" means the price, including the applicable premium, if any, payable upon redemption of the Bonds as shall be specified herein or in the Bonds.

"Regular Record Date" shall mean the fifteenth day of the calendar month immediately preceding an Interest Payment Date or, if any such day shall not be a Business Day, the next preceding Business Day.

"Special Record Date" means any date established by the Issuer as a date, which may also be a Regular Record Date, for giving notice or consent, for taking action, for the payment of defaulted interest or for any purpose specified by the Issuer.

"State" means the State of Maine.

"Terms" means the Terms of Issuance of the University of Maine System Revenue Bonds, Series 2015, dated as of the date of delivery of the Bonds and executed on behalf of the Issuer which Terms are incorporated in the Bonds by reference and made a part of the Bonds to the same extent as if the Terms were fully set forth therein.

"University Plant" means and consists of all buildings, structures, improvements, facilities and equipment in the present and future, owned or operated by the Issuer including, without limitation, dormitories, student unions, auditoriums, dining halls, book stores, stadiums, golf courses, swimming pools, hospitals or infirmaries, and printing plants and as additional structures and other facilities are acquired by the Issuer from time to time hereafter, and as existing facilities in the University Plant are improved or extended, such additional, improved or extended facilities shall become part of the University Plant.

Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa.

ARTICLE II

THE BONDS

Section 2.01. The Bonds. (a) The Bonds are being lettered "R" and numbered consecutively from 01 upward in order of maturity. The Bonds bear interest at the following rates per annum and mature as follows:

Maturity March 1	Principal Amount	Interest Rate
2016	$2,015,000	5.000%
2017	570,000	5.000
2018	1,240,000	5.000
2019	2,420,000	5.000
2020	2,900,000	5.000
2021	2,265,000	5.000
2022	2,385,000	5.000
2023	2,505,000	5.000
2024	2,615,000	5.000
2025	2,775,000	5.000
2026	2,920,000	5.000
2027	3,060,000	4.000
2028	3,165,000	3.000
2029	2,720,000	3.000
2030	3,760,000	4.000
2031	3,135,000	4.000
2032	3,260,000	4.000
2033	1,705,000	3.375
2035	1,765,000	3.375
2036	405,000	3.500
2037	425,000	3.500

(b) Sale and Delivery of Bonds.

(i) At the direction of the initial purchasers of the Bonds, the ownership of one fully registered Bond for each maturity shall be registered in the name of Cede.

(ii) The Issuer shall have no responsibility or obligation to any DTC participant or to any beneficial owner of the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any DTC participant, beneficial owner or other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC participant, beneficial owner or other person, other than DTC, of any amount with respect to the principal or Redemption Price of, or interest on, the Bonds. The Issuer and the Paying Agent may treat DTC as, and deem DTC to be, the absolute owner of each Bond for all purposes whatsoever, including but not limited to (i) payment of the principal or Redemption Price of, and interest on, each Bond, (ii) giving notices of redemption and other matters with respect to such Bonds, and (iii) registering transfers with respect to the Bonds. The Paying Agent shall pay the principal or Redemption Price of, and interest on, all Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to such principal or Redemption Price, and interest, to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond evidencing the obligation of the Issuer to make payments of principal or Redemption Price of, and interest on, the Bonds respectively, pursuant to these Terms. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" herein shall refer to such new nominee of DTC.

(iii) (A) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Issuer or the Paying Agent and discharging its responsibilities with respect to the Bonds under applicable law.

(B) The Issuer, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Issuer determines that the continuation of the system of book-entry-only transfers through DTC (or a successor securities depository) is not in the best interests of the beneficial owners of the Bonds or is burdensome to the Issuer, and shall terminate the services of DTC with respect to the Bonds upon receipt by the Issuer or the Paying Agent of notice to the effect that DTC has received written notice from DTC participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds to the effect that: (I) DTC is unable to discharge its responsibilities with respect to the Bonds; or (II) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Paying Agent in the name of Cede is not in the best interest of the beneficial owners of the Bonds.

(C) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (d)(iii)(B)(II) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (d)(iii)(A) or subsection (d)(iii)(B)(I) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Issuer, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Paying Agent in the name of Cede as nominee of DTC. In such event, the Issuer shall issue, transfer and exchange Bond certificates as requested by DTC of like principal amount and maturity, in authorized denominations to the identifiable beneficial owners in replacement of such beneficial owners' beneficial interests in the Bonds, and the provisions hereof regarding registration, transfer and payment shall thereafter govern the Bonds.

(D) Notwithstanding any other provisions hereof to the contrary, so long as any Bond is registered in the name of Cede, all payments with respect to the principal or Redemption Price of, and interest on, such Bond and notices with respect to such Bonds shall be made and given, respectively, to DTC as provided in the representation letter of the Issuer.

(E) In connection with any notice or other communication to be provided to Bondholders pursuant hereto by the Issuer with respect to any consent or other action to be taken by Bondholders, the Issuer shall establish a Special Record Date for such consent or other action and give DTC notice of such Special Record Date not less than 15 calendar days in advance of such Special Record Date to the extent possible.

(c) Bonds issued in exchange for or upon the transfer of Bonds on or after the first Interest Payment Date thereon shall be dated as of the Interest Payment Date next preceding the date of such issuance thereof, unless the date of such issuance shall be an Interest Payment Date to which interest on the Bonds has been paid in full or duly provided for, in which case they shall be dated as of such Interest Payment Date; provided that if interest on any Bonds shall be in default, Bonds issued in exchange for or upon the registration of transfer of such Bonds shall be dated the date to which interest has been paid in full on such Bonds, or if no interest has been paid on such Bonds, the initial date from which any fully executed Bonds are to bear interest as set forth herein.

Section 2.02. Execution. The Bonds are being executed on behalf of the Issuer with the manual signature of its Treasurer and attested with the manual or authorized facsimile signature of the Clerk or University

Counsel of the Issuer. The official seal or an authorized facsimile of the official seal of the Issuer is impressed or imprinted on the Bonds. All authorized facsimile signatures and seals shall have the same force and effect as if manually signed or imprinted.

Section 2.03. Mutilated, Lost, Stolen, Destroyed or Untendered Bonds. (a) In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer shall execute and deliver a new Bond of like date, maturity and denomination as that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Issuer, and in the case of any lost, stolen, or destroyed Bond, there first shall be furnished to the Issuer evidence of such loss, theft or destruction satisfactory to the Issuer, together with the indemnity satisfactory to it. In the event any such Bond shall have matured, the Issuer, instead of delivering a duplicate Bond, may pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond. The Issuer may charge the owner of such Bond reasonable fees and expenses for such service.

(b) Every substitute Bond issued pursuant to the provisions of this Section 2.03 by virtue of the fact that any Bond is mutilated, lost, stolen or destroyed shall constitute a contractual obligation of the Issuer, whether or not the mutilated, lost, stolen or destroyed Bond shall be at any time enforceable. All Bonds shall be owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, lost, stolen or destroyed Bonds, notwithstanding any law or statute now existing or hereafter enacted.

Section 2.04. Exchangeability and Registration of Bonds; Persons Treated as Owners. The Issuer shall cause books or other records for the registration and transfer of the Bonds as provided herein to be kept by the Paying Agent.

The transfer of Bonds may be registered on the books of registration kept by the Paying Agent, by the registered owner in person or by his duly authorized attorney, upon surrender thereof, together with a written instrument of transfer executed by the registered owner or his duly authorized attorney. Upon surrender for registration of transfer of any Bond at the Principal Office of the Paying Agent, the Issuer shall execute and deliver in the name of the transferee or transferees a new Bond or Bonds of the same tenor, in the same aggregate principal amount and in any authorized denomination or denominations.

Bonds may be exchanged at the Principal Office of the Paying Agent for an equal aggregate principal amount of Bonds of the same tenor in any authorized denomination or denominations. The Issuer shall execute and deliver Bonds which the owner making the exchange is entitled to receive, bearing numbers not contemporaneously then Outstanding.

Such registration of transfer or exchanges of Bonds shall be without charge to the owners of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the owner of the Bond requesting such transfer or exchange as a condition precedent to the exercise of such privilege.

The Paying Agent shall not be required to transfer or exchange any Bond during a period beginning on the Record Date for any date of payment of principal of or interest on the Bonds and ending at the close of business on such payment date or during a period beginning at the close of business on the fifteenth day next preceding any date fixed for mailing any notice of redemption if such Bond is eligible to be selected for such redemption and ending at the close of business on the date fixed for mailing such notice if the Bond is not so selected and on the date fixed for redemption if the Bond is selected for redemption.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof or his duly authorized attorney, and neither the Issuer nor the Paying Agent shall be affected by any notice to the contrary, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 2.05. Destruction of Bonds. Whenever any Outstanding Bond shall be delivered to the Paying Agent for cancellation, upon payment of the principal amount thereof or for replacement pursuant to Section 2.03

hereof or for transfer or exchange pursuant to Section 2.04 hereof, such Bond shall be cancelled and destroyed by the Paying Agent and evidence of such destruction shall be furnished by the Paying Agent to the Issuer.

Section 2.06. Nonpresentment of Bonds. In the event any Bond shall not be presented for payment within thirty (30) days after the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or if any interest check shall not be cashed within thirty (30) days after the date on which such interest is due, all liability of the Issuer to the owner thereof for the payment of such Bond, premium, if any, or interest thereon or for the purchase thereof, as the case may be, shall forthwith cease, terminate and be completely discharged and the owner of such Bond, premium, if any, or interest, as the case may be, shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof and the Issuer shall have no liability for interest on any unclaimed amount.

ARTICLE III

REDEMPTION OF THE BONDS

Section 3.01. Manner of Redemption. The Bonds shall be subject to such provisions, if any, for optional redemption, including Redemption Prices thereof, and for mandatory sinking fund redemption as are set forth in the Bonds and herein.

Section 3.02. Notice of Optional Redemption. Upon presentation of a Bond or Bonds to be redeemed at the Principal Office of the Paying Agent, the Paying Agent will pay the Bond or Bonds called for redemption with funds deposited with the Paying Agent by the Issuer. Any notice mailed as provided in the Bonds shall be conclusively presumed to have been duly given, whether or not the owner of any Bond actually receives notice.

Each notice of redemption at the option of the Issuer shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that in and after said date interest thereon will cease to accrue. If less than all the Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in $5,000 portions or any integral multiple thereof) to be redeemed. Such notice may provide that any redemption is subject to (a) receipt of proceeds of bonds issued to provide for such redemption or (b) satisfaction of any other condition.

Section 3.03. Bonds Due and Payable on Redemption Date. On the redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is hereby authorized and directed to apply such funds to the payment of, the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any.

Section 3.04. Cancellation. All Bonds which have been redeemed shall be cancelled and destroyed as provided in Section 2.05 hereof.

Section 3.05. Partial Redemption of Bonds. (a) If Bonds are to be redeemed in part hereunder, other than by mandatory sinking fund redemption, if any, the Bonds to be redeemed shall be redeemed only in the principal amount of $5,000 or any integral multiple thereof and the Bonds to be redeemed shall be selected from such maturities as the Issuer may determine, or if no such determination is made, the Bonds shall be redeemed in inverse order of maturity. Upon surrender of any Bond in a denomination greater than $5,000, as the case may be, called for redemption in part only, the Issuer shall execute and deliver to the registered owner thereof, without charge therefor to such owner, a new Bond or Bonds of authorized denomination or denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

(b) The Bonds or portions of Bonds, within a maturity, to be redeemed in part shall be selected by the Issuer by lot or in such other manner as the Issuer in its discretion may determine.

(c) If any of the Bonds which are subject to mandatory sinking fund redemption are redeemed in part other than by mandatory sinking fund redemption, the principal amount of the Bonds so redeemed shall be credited against future sinking fund redemption installments. The Issuer, shall, at the time of any such partial redemption,

determine to which year or years the credit shall be applied and the amount of the credit which shall be applied in each of such years, provided that the aggregate principal amount of such credits shall never exceed the aggregate principal amount of the Bonds which have been so redeemed. If the Issuer fails to make a determination with respect to such credits, the credits shall be applied in inverse order of the dates set forth in the Bonds. Notwithstanding the foregoing, the Issuer may purchase Bonds on the open market at its discretion and may credit the Bonds so purchased against future sinking fund redemption installments with respect to the Bonds as and in the order it selects at the time of purchase.

ARTICLE IV

COVENANTS

Section 4.01. Payment of Principal, Premium, If Any, And Interest. The Issuer covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on every Bond at the place, on the dates, and in the manner provided herein, and in said Bond according to the true intent and meaning thereof.

The Issuer shall deposit with the Paying Agent on or before each Interest Payment Date and Principal Payment Date for the Bonds, an amount equal to the next succeeding payment of interest or principal and interest due with respect to the Bonds.

Section 4.02. Performance of Covenants. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any and every Bond and in these Terms. The Issuer represents and warrants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to execute, issue and deliver the Bonds, that all action on its part for the issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable obligations of the Issuer according to the terms thereof and hereof.

Section 4.03. Tax Covenants. The Issuer hereby covenants to diligently fulfill and abide by the covenants and the restrictions set forth in the Arbitrage and Use of Proceeds Certificate. Notwithstanding any other provision herein to the contrary, the Issuer shall not take or cause any action to be taken or omit to take or permit the omission of any action if such action or omission would cause the interest on any Bond to be included in gross income for federal income tax purposes. To the extent within its power, the Issuer shall not permit at any time or times any of the proceeds of any Bond to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in the Code. The Issuer shall invest proceeds of the Bonds in accordance with the Arbitrage and Use of Proceeds Certificate, and shall restrict the yield on such amounts in accordance with the Arbitrage and Use of Proceeds Certificate.

Section 4.04. Completion of the Projects. The Issuer shall proceed diligently to complete each Project or any portion thereof for which the Bonds have been issued or to cause each Project or such portion to be completed in an economical and efficient manner with all practical dispatch and shall perform all other acts necessary and reasonably possible to enable it to collect the maximum revenues possible as a result of the reasonable operation of each Project or such portion thereof at the earliest practicable time.

Section 4.05. Operation and Maintenance of the University Plant. The Issuer shall maintain the University Plant or cause the University Plant to be maintained in good condition and shall continuously operate the University Plant or cause the University Plant to be operated in an efficient and effective manner and at a reasonable cost.

Section 4.06. Books and Records. The Issuer shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made relating to the University Plant.

Section 4.07. Annual Budgets. The Issuer shall establish an annual budget for each Fiscal Year, including provision for payment of principal of and interest on the Bonds for such Fiscal Year.

Section 4.08. Rate Covenant. The Issuer covenants and agrees that it will, at all times as long as any Bonds are Outstanding, establish, impose and collect tuition, fees and charges for its educational services, its auxiliary enterprises, including dormitory housing, food service and sale of textbooks, for use of the University Plant

and for all other services and goods provided by the Issuer, which tuition, fees and charges, together with other available moneys, in each Fiscal Year, will be sufficient to permit the performance of all the covenants in and requirements of the Issuer under the Bonds, including the prompt payment of principal of and interest on the Bonds as and when due, the prompt payment of principal of and interest on any other bonds of the Issuer from time to time outstanding and the prompt payment and performance of all other obligations as and when due, including without limitation the obligations of the Issuer pursuant to the Arbitrage and Use of Proceeds Certificate.

Section 4.09. Insurance. The Issuer shall maintain or cause to be maintained the types and amounts of insurance on the University Plant as shall be deemed appropriate by the Issuer.

ARTICLE V

DEFEASANCE

Bonds, any portion thereof, or any portion of the interest thereon shall be deemed to be paid when (1) payment of the principal of and premium, if any, on such Bonds or any portion thereof or any portion of interest thereon, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (i) shall have been paid or caused to be paid in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with a trustee in trust and irrevocably setting aside exclusively for such payment (x) moneys sufficient to make such payment or (y) instruments which provide for payments in such amounts and at such time as will assure the availability of sufficient moneys to make such payment or (z) a combination of money and such instruments, and (2) all necessary and proper fees, compensation and expenses of and other amounts payable with respect to which such deposit is made shall have been paid or the payment thereof provided for. At such times as a Bond or any portion thereof or any portion of interest thereon, shall be deemed to be paid hereunder, as aforesaid, such Bond or any portion thereof or any portion of interest thereon, shall no longer be entitled to the benefits hereof, except for the purposes of any such payment from such moneys or such instruments.

Notwithstanding the foregoing paragraph, no deposit under clause (i) or (ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds or any portion thereof or any portion of interest thereon, as aforesaid (x) until the Issuer shall have given the trustee, in form satisfactory to the trustee, irrevocable written instructions:

(i) Stating the date when the principal of, premium, if any, and accrued interest on each such Bond or any portion thereof or any portion of interest thereon, is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by the Bonds);

(ii) to call for redemption pursuant to the Bonds to be redeemed prior to maturity pursuant to (i) hereof; and

(iii) if all the Bonds are not to be redeemed within thirty (30) days, to mail, as soon as practicable, in the manner prescribed by Article III hereof, a notice to the owners of such Bonds that the deposit required by clause (1)(ii) of the immediately preceding paragraph has been made with the trustee and that said Bonds, or portion thereof or portion of interest thereon are deemed to have been paid in accordance with this Article V and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds or portion thereof or portion of interest thereon as specified in (i) hereof;

and (y) if any Bonds or portion thereof or portion of interest thereon are to be redeemed within the next thirty (30) days, until proper notice of redemption of such Bonds has been given.

Any moneys so deposited with the trustee as provided in the two foregoing paragraphs shall at the direction of the Issuer be used solely for the purpose of obtaining instruments which provide for payments in the amounts and at the times as hereinbefore set forth, and all income from all such instruments or other moneys in the hands of the trustee pursuant to this Article V which is not required for the payment of the Bonds (including premium, if any, and interest thereon) with respect to which such moneys shall have been so deposited, shall be paid to the Issuer as and when realized if not needed to pay any fees or expenses provided for hereunder.

Notwithstanding any provision of any other Article which may be contrary to the provisions of this Article V, all moneys or instruments set aside and held in trust pursuant to the provisions of this Article V for the payment of Bonds (including premium, if any, and interest thereon) shall, prior to payment thereof from any other source, be applied to and used solely for the payment of the particular Bonds (including premium, if any, and interest thereon) with respect to which such moneys or instruments have been so set aside in trust.

Anything in Article V hereof to the contrary notwithstanding, if moneys or instruments have been deposited or set aside with the trustee pursuant to this Article for the payment of Bonds (including premium, if any, and interest thereon) when due and such Bonds (including premium, if any, and interest thereon) shall not have in fact been actually paid in full when due, no amendment to the provisions of this Article shall be made without the consent of the owner of each Bond affected thereby.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01. Events of Default. If any of the following events occur, it is hereby defined as and declared to constitute an "Event of Default":

(a) Default in the due and punctual payment of any interest on any Bond;

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

(c) Default in the performance or observance of any covenant, agreement or condition on the part of the Issuer contained in these Terms or in the Bonds (other than defaults mentioned in Section 6.01 (a) and (b)) and failure to remedy the same after notice of default pursuant to Section 6.07 hereof; and

(d) The Issuer shall file a petition, or an involuntary petition shall be filed against the Issuer, seeking a composition of the Issuer's indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State.

Section 6.02. Remedies; Rights of Bondholders.

The rights and remedies of the Bondholders pursuant to Article VI hereof are subject to Section 8.09 hereof.

Upon the occurrence of an Event of Default, the Bondholders shall have the following rights and remedies:

(a) The Bondholders may declare the Bonds due and payable, pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding or take any combination of the foregoing actions;

(b) The Bondholders may pursue and enforce any other right of any Bondholder conferred by law or hereunder and may pursue and enforce any other rights conferred upon then by these Terms;

(c) The Bondholders may by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the owners of the Bonds; and

(d) The Bondholders may pursue any remedy available at law or in equity to remedy any default hereunder.

The Bondholders shall give notice of any Event of Default to the Issuer and the Paying Agent as promptly as practicable after the occurrence of an Event of Default becomes known to Bondholders.

No right or remedy by these Terms conferred upon or reserved to the Bondholders is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in

addition to any other right or remedy given to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

No delay or omission in exercising any such right or remedy accruing upon any default or Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 6.03. Application of Moneys. All moneys received by the Bondholders pursuant to any right given or action taken under the provisions of this Article VI shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money (and any unpaid amounts owing to the Paying Agent), and after depositing any required amount in accordance with the Arbitrage and Use of Proceeds Certificate, 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 to the persons 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 persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons 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 by the Paying Agent or pursuant to Article V), and, if the amount available shall not be sufficient to pay in full all Bonds due on any particular date, then to the payment ratably according to the amount of principal and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto as the same shall become due of the principal of and premium, if any, and interest on the Bonds which may thereafter become due 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 persons entitled thereto 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 to the payment of the principal and interest then due and unpaid on 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 and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section 6.03, such moneys shall be applied at such times, and from time to time, as the Bondholders shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bondholders shall apply such funds, they shall fix the rate (which shall be the earliest Interest Payment Date unless the Bondholders shall deem another date more suitable) upon which such application is to be made and upon such date interest on such amounts of principal and past-due interest to be paid on such dates shall cease to accrue. Defaulted interest on a Bond shall, except as otherwise provided herein, be payable to the person in whose name such Bond is registered at the close of business on a Special Record Date for the payment of defaulted interest established by notice mailed by the Bondholders to the registered owners of Bonds not more than fifteen (15) days preceding such Special Record Date. Such notice shall be mailed to the person in whose name the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing. The Bondholders shall not be required to make payment to the owner of any Bond until such Bond shall be presented to the Paying Agent for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this Section 6.03, all expenses and charges of the Paying Agent have been paid and after depositing any required amount in accordance with the Arbitrage and Use of Proceeds Certificate, any balance remaining shall be paid as provided in Article V hereof.

Section 6.04. Remedies. All rights of action (including the right to file proof of claims) hereunder may be enforced by the Bondholders without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating hereto, and any such suit or proceeding instituted by Bondholders without the necessity of joining as plaintiffs or defendants all owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the owners of the Outstanding Bonds.

Section 6.05. Termination of Proceedings. In case the Bondholders shall have proceeded to enforce any right hereunder by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Issuer and the owners of Bonds shall be restored to their former positions and rights hereunder, respectively.

Section 6.06. Waivers of Events of Default. Any Event of Default may be waived by the owners of (1) 100% in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal, premium or interest exists or (2) more than two-thirds (2/3) in aggregate principal amount of Outstanding Bonds in the case of any other Event of Default, provided that there shall not be waived any Event of Default specified in subsection (a) or (b) of Section 6.01 hereof unless prior to such waiver or rescission, all arrears of principal of, premium, if any, and interest on the Bonds and all expenses of the Bondholders in connection with such Event of Default shall have been paid or provided for. In case of any waiver or rescission described above, or in case any proceeding taken by the Bondholders on account of any such Event of Default shall have been continued or concluded or determined adversely, then and in every case, the Issuer and the owners of Bonds shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon. No such waiver shall affect the rights of third parties of amounts provided for hereunder.

Section 6.07. Notice of Events of Defaults pursuant to section 6.01(c); Opportunity to Cure Such Event of Default. Anything herein to the contrary notwithstanding, no Event of Default pursuant to section 6.01(c) hereof shall be deemed an Event of Default until notice of such Event of Default shall be given to the Issuer by the owners of not less that twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds, and the Issuer shall have had thirty (30) days after receipt of such notice to correct said Event of Default or to cause said Event of Default to be corrected and shall not have corrected said Event of Default or caused said Event of Default to be corrected within the applicable period; provided, however, if said Event of Default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within the applicable period and diligently pursued until the Event of Default is corrected unless a different course of action or a period of less than thirty (30) days is required in order to protect the tax-exempt status of any Bonds.

ARTICLE VII

SUPPLEMENTAL TERMS

Section 7.01. Supplemental Term Not Requiring Consent of Owners of Bonds. The Issuer may, without consent of or notice to any of the owners of Bonds, stipulate terms supplemental to hereto for any one or more of the following purposes:

(a) To cure any ambiguity herein;

(b) To grant to or confer upon the owners of the Bonds or the Paying Agent any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the owners of Bonds or the Paying Agent;

(c) To modify, amend or supplement these terms in such manner as to permit the qualification of the Bonds for sale under the Securities Act of 1933, as amended, or the securities laws of any of the states of the United States of America;

(d) To effect any change herein which, in the judgment of the Issuer, will not adversely affect the rights of any owner of Bonds;

(e) To maintain the tax-exempt status of the Bonds including any modification, amendment or change required in order to make the provisions hereof conform to any provision or interpretation of law enacted or adopted after the execution and delivery of the Bonds; or

(f) To evidence the appointment of a new Paying Agent hereunder.

Section 7.02. Supplemental Terms Requiring Consent of Owners of Bonds. Except as permitted by Section 7.01 hereof or Section 8.09 hereof and subject to the terms and provisions contained in this Section 7.02, the Issuer shall not execute terms supplemental hereto without the written consent of the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Outstanding Bonds affected thereby, which Holders shall have the right to consent to and approve the execution by the Issuer of such other terms supplemental hereto as shall be deemed necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, that nothing contained in this Section 7.02 shall permit, or be construed as permitting, without the written consent of the owners of all Outstanding Bonds affected thereby, (a) an extension of the maturity of the principal of, or interest on, any Bond or any modification of the provisions regarding the purchase of Bonds which modification would result in a delay or suspension of the obligation to purchase Bonds as provided hereunder, or (b) a reduction in the principal amount or redemption premium on, any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental terms or any modification or waiver hereof.

If at any time the Issuer shall specify any such supplemental terms for any of the purposes of this Section 7.02, the Issuer shall cause notice of the proposed execution of such supplemental terms to be given to the owners of the Bonds as provided in Section 8.01 hereof. Such notice shall briefly set forth the nature of the proposed supplemental terms and shall state that copies thereof are on file at the Principal Office of the Issuer for inspection by any owner of Bonds and that a copy of such proposed supplemental terms will be mailed by the Issuer to any party requesting the same. If, within sixty (60) days or such longer period as shall be prescribed by the Issuer following such notice, the owners of not less than two-thirds (2/3) (or 100%, as may be applicable) in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such supplemental terms shall have consented to and approved the execution thereof as herein provided, no owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental terms as provided in this Section 7.02, these terms shall be and be deemed to be modified and amended in accordance therewith.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notices to and Consents of Owners of Bonds. (a) Any notice, request, complaint, demand, communication or other paper required hereby to be given to any owner of a Bond or Bonds shall be sufficiently given and shall be conclusively deemed given when sent by first-class mail, postage prepaid, to the address of the owner as shown on the registration books kept by the Paying Agent on the applicable Record Date.

(b) Any consent, request, direction, approval, objection or other instrument required hereby to be signed and executed by the owners of Bonds may be in any number of concurrent documents and may be executed by such owners of Bonds in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the written appointment of any such agent or of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof, and shall be conclusive in favor of the Issuer with regard to any action taken by it under such request or other instrument. The

fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by an officer authorized by law to take acknowledgments of deeds certifying that the person signing such instrument or writing acknowledged to him the execution thereof. The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of owning the same shall be proved by the registration books or other records of the Issuer maintained by the Paying Agent pursuant hereto.

Section 8.02. Limitation of Rights. With the exception of any rights herein expressly conferred, nothing expressed or mentioned in or to be implied from these terms or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, the owners of the Bonds, any legal or equitable right, remedy or claim under or with respect hereto or any covenants, conditions and provisions herein or therein contained, these terms and all of the covenants, conditions and provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the parties hereto and thereto and the owners of the Bonds as herein provided.

Section 8.03. Severability. If any provision hereof shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render these terms invalid, inoperative or unenforceable to any extent whatever.

Section 8.04. Applicable Provisions of Law. These Terms shall be governed by and construed in accordance with the laws of the State.

Section 8.05. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of these Terms as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to these Terms and not solely to the particular portion in which such word is used.

Section 8.06. Captions. The captions and headings in these Terms are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of these Terms.

Section 8.07. No Personal Liability. In accordance with 20-A MRSA §10964, and notwithstanding anything to the contrary contained herein or in any of the Bonds or in any other instrument or document executed by or on behalf of the Issuer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future trustee, officer, employee or agent of the Issuer, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such person, in his individual capacity, either directly or through the Issuer or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person in his individual capacity, is hereby expressly waived and released as a condition of and in consideration for the execution of the Terms and the issuance of the Bonds.

Section 8.08. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right or the giving of any notice, as provided herein, shall not be a Business Day, such payment may, unless otherwise provided herein, be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided herein, and no interest shall accrue for the period after such nominal date.

Section 8.09. Bond Insurer Deemed to be Sole Bondholder. By acceptance of the Bonds, each holder of the Bonds grants to any insurer of the Bonds, its successors and assigns (the "Bond Insurer"), the right to exercise, on behalf of and in the place of the holders of the Bonds, any option, vote, right, power or the like available to holders of the Bonds. Each holder of the Bonds by virtue of its purchase of any of the Bonds is deemed to have granted the following rights and privileges to the Bond Insurer as a condition to, and in consideration for, the Bond Insurer's issuance and delivery of the financial guaranty insurance policy with respect to the Bonds (the "Policy"); provided, however, that such grant to the Bond Insurer shall be in effect only while the Policy is in effect and the Bond Insurer is not in default under the Policy: the Bond Insurer shall be deemed to be the sole owner of the Bonds

for the purpose of any approval, consent, waiver, institution of any action, exercise of any voting right, the right to direct the exercise of, or consent to, rights and remedies to be taken by the holders of the Bonds in circumstances that give holders of the Bonds rights to exercise rights and remedies or any other action which a holder of any of the Bonds is, or would be, permitted to take. The foregoing rights of the Bond Insurer may be exercised singly or in any combination which the Bond Insurer determines. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit of the holders of the Bonds.

ARTICLE IX

THE PAYING AGENT

Section 9.01 The Paying Agent. (a) The Paying Agent shall be protected in acting and relying upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and to have been signed or sent by the proper person or with respect to any action taken by the Paying Agent pursuant hereto upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, and such action shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(b) Notwithstanding any other provision hereof, the Paying Agent shall have no liability for any act or omission to act hereunder or under any other instrument or document executed pursuant hereto except for the gross negligence or willful misconduct of the Paying Agent. The duties and obligations of the Paying Agent shall be determined solely by the express provisions hereof and no implied covenants or obligations against the Paying Agent shall be read into these Terms.

(c) The Paying Agent shall be under no obligation to act at the request or direction of any of the owners of the Bonds pursuant hereto or otherwise take any action upon the occurrence or during the continuance of an Event of Default, unless such owners of Bonds shall have indemnified the Paying Agent to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel, expert and other fees, other disbursements including its own reasonable fees and against all liability and damages (other than damages relating to the gross negligence or willful misconduct of the Paying Agent) which might be incurred by it in compliance with such requests or direction, and the Paying Agent shall not be required to advance, expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers delegated to it by the Issuer or the Bondholders as Paying Agent hereunder.

(d) All moneys received by the Paying Agent shall, until used or applied as herein provided, be held uninvested and without liability for interest thereon, in trust for the purposes for which they were received but need not be segregated from other funds except to the extent otherwise required herein or required by law.

(e) The Paying Agent shall maintain a record of the names of the registered owners of the Bonds and of the addresses of such owners from time to time provided by such owners.

(f) The Paying Agent shall not be liable for any action taken pursuant to any direction or instruction by which it is governed hereunder, or omitted to be taken by it by reason of the lack of direction or instruction required hereby for such action; and the Paying Agent shall not be liable for any action taken in good faith and reasonably believed by it to be within the powers conferred upon it, or for any error of judgment made in good faith, unless it shall be proven to have been grossly negligent in ascertaining the relevant facts. The Paying Agent may consult with and obtain the advice of counsel, and shall be protected in any action it may take, or refrain from taking, in good faith in reliance upon the advice of such counsel or any opinion of counsel.

Section 9.02 Fees, Charges and Expenses of the Paying Agent. The Paying Agent shall be entitled to payment of reasonable fees for their services rendered hereunder, reimbursement of all advances, counsel fees and other expenses reasonably made or incurred by them in connection with the services rendered by them in such capacities. Upon the occurrence of an Event of Default, but only upon the occurrence of an Event of Default, the Paying Agent shall be entitled to payment prior to payment on account of principal of, premium, if any, and interest on any Bond for the foregoing fees, charges and expenses of the Paying Agent. When the Paying Agent incurs expenses or renders services after the occurrence of an Act of Bankruptcy with respect to the Issuer, the expenses

and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The Paying Agent and any successor thereto shall signify its acceptance of the duties and obligations imposed upon it hereunder by written instrument of acceptance delivered to the Issuer.

If the Paying Agent shall resign or be removed, as permitted or provided below, the Issuer shall designate a successor.

The Paying Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least sixty (60) days notice to Issuer. The Paying Agent may be removed at any time by an instrument signed by an Issuer Officer and filed with the Paying Agent.

In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys and records held by it in such capacity to its successor or, if there be no successor, to the Issuer.

In the event that the Paying Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Paying Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reasons, the Issuer shall appoint a successor.

Any corporation into which the Paying Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which the Paying Agent shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Paying Agent, shall be the successor of the Paying Agent, if such successor corporation is otherwise eligible under this Section 9.02, without the execution or filing of any further act on the part of the Paying Agent or such successor corporation.

APPENDIX B

FORM OF BOND COUNSEL OPINION

Upon issuance and delivery of the Series 2015 Bonds Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, Bond Counsel to the University System, will deliver an opinion in substantially the following form:

[Closing Date]

University of Maine System
16 Central Street
Bangor, Maine 04401

Ladies and Gentlemen:

We have examined a record of proceedings submitted to us by the University of Maine System, an instrumentality and agency of the State of Maine (the "University"), relating to the issuance of $48,450,000 University of Maine System Revenue Bonds, Series 2015, including the Terms of Issuance thereof (the "Series 2015 Bonds"), pursuant to Chapters 411 and 412 of Title 20-A of the Maine Revised Statutes, as amended (the "Act"), including, among other documents, a certified copy of the authorizing resolution of the Board of Trustees of the University adopted July 21, 2014 (the "Resolution").

The Series 2015 Bonds are being issued under and pursuant to the Act and under and pursuant to the Resolution.

The Series 2015 Bonds are dated, mature on the dates and in the principal amounts, bear interest and are payable, all as provided in the Series 2015 Bonds. The Series 2015 Bonds maturing after March 1, 2025 are subject to redemption prior to maturity as provided in the Series 2015 Bonds.

The Series 2015 Bonds are issuable in fully registered form without coupons in the denomination of $5,000 each or any integral whole multiple thereof. The Series 2015 Bonds will be available in book entry form only and are not available for distribution to the public. The Series 2015 Bonds will be registered initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Transfers of beneficial ownership of the Series 2015 Bonds will be effected through the facilities of DTC in accordance with rules and procedures of DTC and its participants.

The Series 2015 Bonds are not a debt or liability of the State of Maine (the "State"), nor do they constitute a pledge of the full faith and credit of the State, nor shall the Series 2015 Bonds be payable out of any revenues or funds other than those of the University. The University has no taxing power.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015 Bonds in order that interest on the Series 2015 Bonds be and remain excluded from gross income for federal income tax purposes pursuant to section 103 of the Code. Noncompliance with such requirements may cause interest on the Series 2015 Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Series 2015 Bonds, regardless of when such noncompliance occurs.

The Arbitrage and Use of Proceeds Certificate and the General Certificate of the Treasurer of the University delivered concurrently herewith contain provisions and procedures regarding compliance with the requirements of the Code. The University, in executing its Arbitrage and Use of Proceeds Certificate, has covenanted to comply with the provisions and procedures set forth therein and to do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series 2015 Bonds shall, for purposes of federal income taxation, be excluded from gross income of the owners of the Series 2015 Bonds.

In rendering the opinion in paragraphs 3 and 4 hereof, we have relied upon the representations of the University set forth in its Arbitrage and Use of Proceeds Certificate and the General Certificate of the Treasurer of the University and we have assumed that the University will comply with the covenants set forth in its Arbitrage and Use of Proceeds Certificate.

We are of the opinion that:

1. Under the Constitution and laws of the State, the University has been duly created and validly exists as an instrumentality and agency of the State with lawful power and authority to adopt the Resolution and to perform its obligations pursuant to, and to issue, the Series 2015 Bonds.

2. The Series 2015 Bonds, executed as described above, have been duly authorized and are valid and binding obligations of the University.

3. Based on existing statutes and court decisions, interest on the Series 2015 Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes pursuant to section 103 of the Code. In addition, such interest will not be an item of tax preference pursuant to section 57 of the Code for purposes of computing alternative minimum tax.

4. Interest on the Series 2015 Bonds is exempt from taxation within the State pursuant to 20-A MRSA §10960.

Except as set forth in paragraphs 3 and 4 above, we express no opinion as to any tax consequences of holding the Series 2015 Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2015 Bonds may be limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors' rights generally and is subject to general principles of equity (regardless of

whether such enforceability is considered in a proceeding in equity or at law) and to the exercise of judicial discretion.

We express no opinion with respect to the accuracy, adequacy, fairness or completeness of the Official Statement relating to the Series 2015 Bonds.

The opinions rendered in this letter are given as of the date hereof and we assume no obligation to update, revise or supplement this letter to reflect any facts, circumstances or changes in law which may hereafter come to our attention.

This opinion letter is being furnished solely to the University and may not be relied upon by any other person or quoted in whole or in part or otherwise referred to without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

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APPENDIX C

THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Bond will be issued for each maturity of the Series 2015 Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("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 and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of Series 2015 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2015 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy to the University System as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Payments of principal of and interest and redemption premium, if any, on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University System, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the University System, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University System and the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the University System or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2015 Bonds are required to be printed and delivered.

The University System may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2015 Bonds will be printed and delivered.

The information in this appendix has been extracted from a schedule prepared by DTC as sample disclosure language provided to the University System. No representation is made by the University System as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

NEITHER THE UNIVERSITY SYSTEM NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2015 BONDS. NO ASSURANCES CAN BE PROVIDED THAT IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC OR A DIRECT PARTICIPANT OR INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS INTERESTS IN THE SERIES 2015 BONDS, PAYMENT WILL BE MADE BY DTC, THE DIRECT PARTICIPANT OR THE INDIRECT PARTICIPANT ON A TIMELY BASIS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE HOLDER OF ALL OF THE SERIES 2015 BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE OWNERS OR HOLDERS OF THE SERIES 2015 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS. THEREFORE, THE STATEMENTS IN THE OFFICIAL STATEMENT SUMMARIZING THE TERMS OF PAYMENT AND REDEMPTION OF THE SERIES 2015 BONDS, THE REQUIREMENTS OF NOTICE TO HOLDERS OF THE SERIES 2015 BONDS AND THE RIGHTS OF CONSENT OF THE HOLDERS OF THE SERIES 2015 BONDS SHALL APPLY TO CEDE & CO., AS HOLDER OF THE SERIES 2015 BONDS, AND NO REPRESENTATIONS ARE MADE IN RESPECT OF THE FOREGOING TO THE BENEFICIAL OWNERS OF THE SERIES 2015 BONDS.

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APPENDIX D

CERTAIN FINANCIAL INFORMATION PERTAINING TO THE
UNIVERSITY OF MAINE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2014
AND JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
University of Maine System

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Maine System (the System), a component unit of the State of Maine, which collectively comprise the System's statements of net position and financial position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, activities 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by another auditor, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component unit, are based solely on the reports of the other auditor. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

Opinions

In our opinion, based on our audits and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the System as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

Adoption of New Accounting Pronouncements

As discussed in Note 1 and Note 16 to the financial statements, in 2014, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The 2013 financial statements have been restated for the retrospective application of the new accounting guidance. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 6 through 24, and Schedules of Funding Progress and Employer's Contributions on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements as a whole. The supplementary information presented in the Schedules of Activities on page 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting

and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 17, 2014 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
November 17, 2014

University of Maine System ("the System" or UMS) management has prepared the following unaudited Management's Discussion and Analysis (MD&A) to provide users with a narrative and analysis of the System's financial position and activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the financial condition and results of activities of the System for the fiscal years ended June 30, 2014 and prior years. This presentation includes highly summarized information and should be read in conjunction with the accompanying basic financial statements and related notes.

MISSION

The University of Maine System unites seven distinctive public universities in the common purposes of providing first-rate higher education at reasonable cost in order to improve the quality of life for the citizens of Maine. The System, through its Universities, carries out the traditional tripartite mission – teaching, research, and public service. The System is also a major resource for the State, linking economic growth, the education of its people, and the application of research and scholarship.

UNIVERSITY OF MAINE SYSTEM UNIVERSITIES, CAMPUSES & CENTERS

The University of Maine System is a comprehensive public institution of higher education with an annual enrollment of nearly 40,000 students and serves over 500,000 individuals annually through educational and cultural offerings. The System is supported by the efforts of 1,246 regular full-time faculty, 93 regular part-time faculty, 3,135 regular full-time staff, and 318 regular part-time staff members.

Established in 1968 by the Maine State Legislature, the System is the State's largest educational enterprise, featuring seven public universities, each with a distinctive mission and character. From Maine's largest city to its rural northern borders, our universities are known for excellence in teaching and research. Those universities are:

University of Maine (UM):	Maine's land and sea-grant institution
University of Maine at Augusta (UMA):	Central Maine's baccalaureate and associate degree institution
University of Maine at Farmington (UMF):	Maine's selective liberal arts college
University of Maine at Fort Kent (UMFK):	Baccalaureate university in the St. John Valley
University of Maine at Machias (UMM):	Eastern Maine's baccalaureate institution
University of Maine at Presque Isle (UMPI):	Baccalaureate education for the Northeastern region
University of Southern Maine (USM):	A comprehensive public university

The University of Maine School of Law, a freestanding institution within the System, is located in Portland and is Maine's only law school. Lewiston-Auburn College is a campus of the University of Southern Maine. The University of Maine at Augusta-Bangor is a campus of the University of Maine at Augusta. The Hutchinson Center in Belfast is a campus of the University of Maine.

The System also features the following eight University College outreach centers and an additional 31 course sites and Cooperative Extension:

Bath/Brunswick	East Millinocket	Ellsworth	Houlton
Norway/South Paris	Rockland	Rumford/Mexico	Saco

STUDENT ENROLLMENT

Throughout the System, 30,365 students were enrolled on a headcount basis for the Fall 2013 semester, down 2.1% from Fall 2012 and 6.1% since Fall 2009.

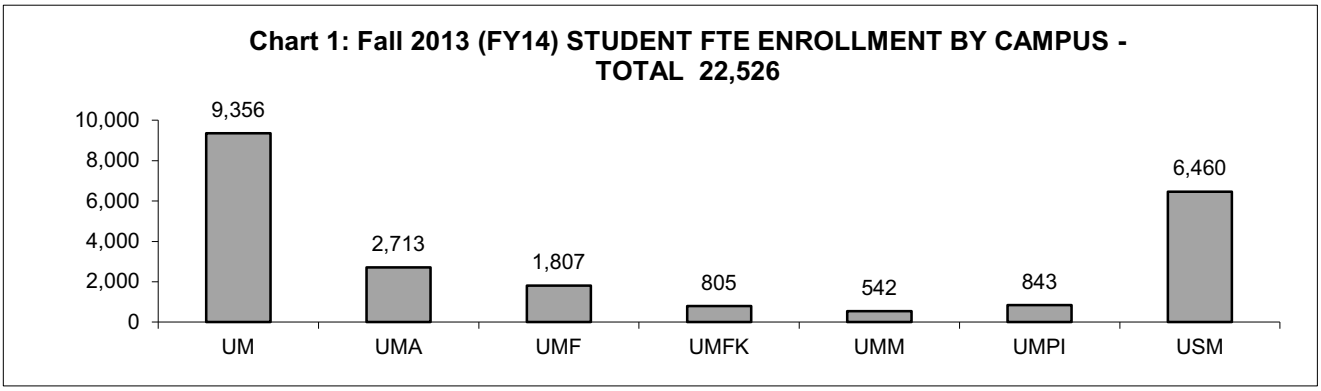
Table 1: Fall Student Enrollments by Headcount

	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
Full-Time	**19,728**	**65%**	**20,153**	**65%**	20,057	64%	20,542	64%	20,739	64%
Part-Time	**10,637**	**35%**	**10,859**	**35%**	11,051	36%	11,467	36%	11,601	36%
Headcount	**30,365**	**100%**	**31,012**	**100%**	31,108	100%	32,009	100%	32,340	100%

Table 2 below shows student enrollment on a full-time equivalent (FTE) basis with 22,526 students enrolled for the Fall 2013 semester, down 2.0% from Fall 2012. FTE enrollments were up 0.3% from Fall 2011 to Fall 2012. Since Fall 2009, enrollments have declined by 1,185 students or 5%. For Fall 2013, 65% of the student population was enrolled full-time and 84% were Maine residents.

Table 2: Fall Student FTE Enrollments

	% Change Fall 2009 to 2013	Fall 2013	% Change	Fall 2012	% Change	Fall 2011	% Change	Fall 2010	% Change	Fall 2009	% Change
UM	**-3%**	**9,356**	**3.5%**	**9,040**	-0.9%	9,120	-2.5%	9,358	-3.1%	9,653	0.3%
UMA	**-2%**	**2,713**	**-5.2%**	**2,862**	1.4%	2,823	0.6%	2,805	1.0%	2,776	5.2%
UMF	**-8%**	**1,807**	**-4.7%**	**1,896**	-4.4%	1,983	-1.0%	2,003	2.5%	1,954	-0.5%
UMFK	**10%**	**805**	**3.3%**	**779**	11.0%	702	-0.4%	705	-3.8%	733	-2.7%
UMM	**-3%**	**542**	**-5.1%**	**571**	6.3%	537	-5.6%	569	1.4%	561	-2.4%
UMPI	**-21%**	**843**	**-13.4%**	**974**	-2.3%	997	-4.5%	1,044	-1.7%	1,062	-3.7%
USM	**-7%**	**6,460**	**-6.0%**	**6,871**	1.6%	6,764	-4.1%	7,051	1.1%	6,972	-0.9%
Total	**-5%**	**22,526**	**-2.0%**	**22,993**	0.3%	22,926	-2.6%	23,535	-0.7%	23,711	0.1%



STUDENT COMPREHENSIVE COST OF EDUCATION

The weighted average comprehensive cost of education for UMS undergraduate, graduate and Law School students is shown in Table 3 below. The modest increases in the student cost of education reflect UMS' continued commitment to providing affordable higher education. Tempering increases in this revenue source continues to be challenging given the pressures of operating cost increases and the decline in Noncapital State of Maine Appropriations which peaked in FY08 at $201 million and was $198 million in FY14 and $194 million in FY13.

FY14 saw weighted average comprehensive cost of education increases that were significantly lower than in FY10 through FY12 while, across the board, FY13 saw the lowest increases in the comprehensive cost of education in 5 years. Percentage increases in FY14 range from a high of 2.5% for Graduate Out-of-State students and Canadian students to a low of 0.4% for Out-of-State Law students. Percentage increases in FY13 range from a high of 2.6% for Undergraduate Out-of-State students to a decrease of 0.1% for New England Board of Higher Education (NEBHE) students.

Table 3: Student Comprehensive Cost of Education

Tuition, Mandatory Fees, and Room and Board
Fiscal Year Weighted Averages

	2014		2013		2012		2011		2010	
	Cost	% Change	Cost	% Change	Cost	% Change	Cost	% Change	Cost	% Change
Undergraduate										
In-State	**$18,035**	1.3%	**$17,802**	0.4%	$17,731	3.3%	$17,172	4.5%	$16,431	5.3%
Out-of-State	**33,022**	2.4%	**32,250**	2.6%	31,418	3.0%	30,505	4.4%	29,211	6.2%
NEBHE	**22,584**	1.7%	**22,213**	-0.1%	22,239	3.8%	21,428	5.7%	20,266	5.2%
Canadian	**21,116**	1.9%	**20,725**	0.7%	20,572	4.0%	19,786	5.3%	18,796	4.9%
Graduate										
In-State	**$16,937**	1.3%	**$16,721**	0.5%	$16,634	3.2%	$16,116	4.8%	$15,375	5.4%
Out-of-State	**31,517**	2.5%	**30,757**	2.2%	30,099	3.5%	29,072	4.5%	27,816	5.5%
NEBHE	**20,735**	0.9%	**20,552**	0.8%	20,389	5.3%	19,361	4.6%	18,503	4.7%
Canadian	**21,095**	2.5%	**20,572**	0.4%	20,492	3.3%	19,843	4.7%	18,959	5.0%
Law School										
In-State	**$32,180**	0.6%	**$31,989**	0.4%	$31,857	4.1%	$30,606	5.3%	$29,052	5.8%
Out-of-State	**43,250**	0.4%	**43,059**	0.7%	42,777	3.2%	41,436	4.8%	39,552	4.2%
NEBHE/Canadian	**40,310**	0.5%	**40,119**	0.6%	39,897	3.5%	38,556	4.2%	37,002	3.2%

OVERVIEW OF THE FINANCIAL STATEMENTS

The University of Maine System's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles and include three primary components, the:

- Statements of Net Position,
- Statements of Revenues, Expenses, and Changes in Net Position, and
- Statements of Cash Flows.

The University of Maine Foundation is a legally separate tax-exempt component unit of the University of Maine System. This entity's financial position and activities are discretely presented in the University's financial statements as required by Governmental Accounting Standards Board (GASB) statements. The MD&A includes information only for the System, not its component unit.

STATEMENTS OF NET POSITION

The Statements of Net Position presents the financial position of the System at one point in time – June 30 – and include all assets, liabilities, deferred inflows, deferred outflows, and the net position of the System. This statement is the primary statement used to report financial condition. Net position represents the residual interest in the System's assets and deferred outflows after liabilities and deferred inflows are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. Table 4 on page 10 shows Condensed Statements of Net Position for the past five years.

The FY13 financial statements have been restated to reflect adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as described in Notes 1b and 16 to the financial statements. The overall impact to the Condensed Statements of Net Position is that the beginning of year net position as previously reported declined $2 million while the FY13 effect on the Change in Net Position was a decline of $1 million, resulting in a total $3 million decline from the previously stated Net Position category of net investment in capital assets.

Table 4 shows total assets and deferred outflows of $1,198 million at June 30, 2014 have increased $141 million, or 13%, since June 30, 2010. Total assets are categorized as either current or noncurrent. Current assets are available to satisfy current liabilities, which in turn are those amounts expected to be payable within the next year. The major component of current assets is short-term investments which total $240 million and $244 million at June 30, 2014 and 2013, respectively.

Noncurrent assets consist mainly of endowment investments and capital assets, net of depreciation. Endowment investments total $150 million at June 30, 2014, an increase of $17 million or 13% from the FY13 year-end balance of $133 million and a $46 million or 44% increase since June 30, 2010. Capital assets totaled $698 million and $688 million at June 30, 2014 and 2013, respectively. The System's progress in upgrading older facilities and meeting new facilities needs is addressed later in this report.

Current liabilities of $64 million and $71 million at June 30, 2014 and 2013, respectively, consist primarily of accounts payable and various accrued liabilities including those for the System's workers compensation, health, and retirement plans. Accounts payable and accrued liabilities are impacted by the timing of the last check cycle for the fiscal year, the level of construction activity in progress, timing of the funding of the Other Post Employment Benefits (OPEB) Trust and budget constraints.

At $257 million, total noncurrent liabilities declined $11 million or 4% from June 30, 2013 to 2014 following a decline of $8 million from June 30, 2012 to 2013. The declines are primarily the result of the system paying down bonds and notes payable.

The total net position at June 30, 2014 of $877 million increased $27 million or 3% from the June 30, 2013 balance, as restated. Additional information about net position is presented on page 15.

Table 4: Condensed Statements of Net Position as of June 30

($ in millions)

	2014	% Change	Restated 2013	% Change	2012	2011	2010
Current Assets	**$300**	**-2%**	**$307**	**-3%**	$315	$295	$259
Noncurrent Assets							
Endowment investments	**150**	**13%**	**133**	**10%**	121	125	104
Capital assets, net	**698**	**1%**	**688**	**1%**	684	668	644
Other	**46**	**-19%**	**57**	**-5%**	60	52	50
Total Assets	**1,194**	**1%**	**1,185**	**0%**	1,180	1,140	1,057
Deferred Outflows	**4**	**0%**	**4**				
Total Assets and Deferred Outflows	**$1,198**	**1%**	**$1,189**	**1%**	$1,180	$1,140	$1,057
Current Liabilities	**$64**	**-10%**	**$71**	**-10%**	$79	$73	$68
Noncurrent Liabilities:							
Bonds and Notes Payable	**155**	**-9%**	**170**	**-5%**	179	182	192
Other	**102**	**4%**	**98**	**1%**	97	98	90
Total Liabilities	**321**	**-5%**	**339**	**-5%**	355	353	350
Net investment in capital assets	**532**	**4%**	**511**	**2%**	500	474	444
Restricted:							
Nonexpendable	**57**	**2%**	**56**	**2%**	55	52	49
Expendable	**109**	**9%**	**100**	**8%**	93	95	86
Unrestricted	**179**	**-2%**	**183**	**3%**	177	166	128
Total Net Position	**877**	**3%**	**850**	**3%**	825	787	707
Total Liabilities and Net Position	**$1,198**	**1%**	**$1,189**	**1%**	$1,180	$1,140	$1,057

Investment Pool

The System pools certain funds for investment purposes including the System's endowment monies and monies on behalf of the following entities: the University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, the John L. Martin Scholarship Fund, Inc., the UMS OPEB Trust, Maine Maritime Academy, and the University of Maine School of Law Foundation.

Table 5 below shows the June 30, 2014, 2013, and 2012 market values of the pooled investments, including the amounts held on behalf of each entity.

Table 5: Market Value of Pooled Investments by Entity
($ in millions)

	2014	2013	2012
University of Maine System & Affiliates Endowments	$150	$133	$121
Other Post Employment Benefits Trust	95	73	53
Maine Maritime Academy	29	25	17
University of Maine School of Law Foundation	4	3	0
Total	**$278**	**$234**	**$191**

The accompanying Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position include the System's and affiliates' share of the pooled investments and related investment activity. The OPEB Trust, Maine Maritime Academy, and the University of Maine School of Law Foundation investments are not included in those Statements.

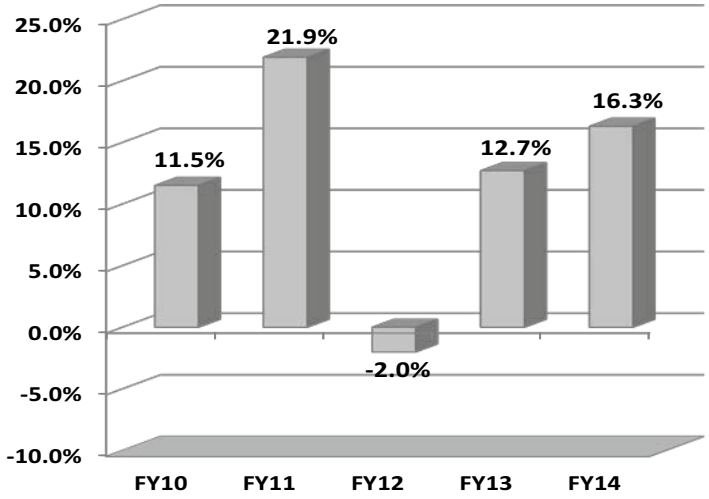
The pooled investments are diversified among the following asset classes to minimize risk while optimizing return.

Table 6: Asset Allocation Percentages for Managed Investment Pool at June 30

	2014	2013	2012
Domestic Equities	**22%**	**23%**	**31%**
International Equities	**23%**	**23%**	**20%**
Fixed Income	**15%**	**14%**	**16%**
Global Asset Allocation	**26%**	**25%**	**16%**
Hedge Funds	**12%**	**12%**	**15%**
Timber	**2%**	**2%**	**2%**
Cash	**0%**	**1%**	**0%**
Total	**100%**	**100%**	**100%**

The financial markets were strong during FY14 with the pool realizing a net of fees return of 16.3%, up from 12.7% in FY13 and -2.0% in FY12. The pooled investments have a 5-year annualized net of fees return of 11.7%.

Chart 2: Managed Investment Pool Total Return (Net of Fees)



Endowments (Including Affiliates)

Endowments are gifts received from donors where the original amount of the gift (corpus) cannot be expended while the income earned and related appreciation can be expended. If the donor established criteria to determine how the expendable amounts can be used, then such amounts are considered restricted expendable. If the use of funds is left to the discretion of the System, the endowment income and appreciation is considered unrestricted.

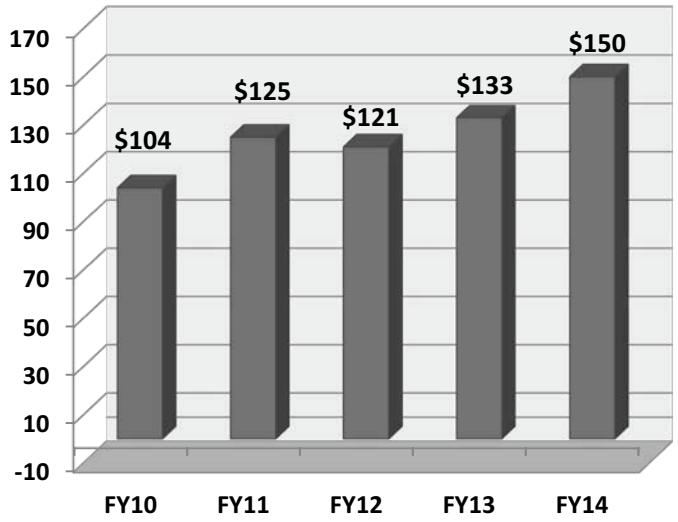
As mentioned above, the System continues to use a pooled investment approach for its endowments, unless otherwise specified by the donor, and the endowments of three affiliates. Affiliates investing in the endowment pool include: the University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, and the John L. Martin Scholarship Fund, Inc.

As shown in Chart 3, these pooled investments had a market value of $150 million at June 30, 2014, increasing $17 million from the prior year end market value of $133 million. This growth included $21 million in net performance, plus $1 million in endowment contributions, less $5 million distributed for scholarships and operating activities.

These pooled investments had a market value of $133 million at June 30, 2013, increasing $12 million from the prior year end market value of $121 million. This growth included $15 million in net performance, plus $2 million in endowment contributions, less $5 million distributed for scholarships and operating activities.

The FY12 market value of $121 million had decreased $4 million from the prior year which included $3 million from negative net performance, plus $4 million in endowment contributions, less $5 million distributed for scholarships and operating activities.

Chart 3: Market Values of UMS & Affiliates Endowments Invested in Pool ($ in millions)



The System manages its endowment with the goal of generating a fairly consistent stream of annual support for current needs, while at the same time preserving the endowment as a whole to ensure funds for future years.

The UMS endowment distribution formula is designed to smooth market volatility. The method uses a 3-year market value average with a percentage spending rate applied. The spending rate applied in FY14 and FY13 was 4.5%, down from 4.75% in FY12.

Capital Assets and Debt Activities

Table 7 on page 14 shows the status of major capital construction projects as of June 30, 2014, and the related budget approved by the Board of Trustees (BOT).

The System's facilities are critical to each University's mission as they provide the physical framework and environment for educational, research, cultural programs and residential life. The System continually evaluates its long-term capital and strategic needs as it considers which facilities to upgrade, retire, or build. Capital needs are funded with State bonds, gifts, grants, educational and general funds, and System revenue bonds.

During FY14, the System had capital asset additions of $44 million which included $39 million of construction in progress and $5 million in equipment and software. FY13 capital asset additions of $36 million included $32 million related to construction in progress and $4 million in equipment and software; while FY12 capital asset additions of $47 million consisted of $40 million in construction in progress and $7 million in equipment and software.

The System strives to manage all of its financial resources effectively including the prudent use of debt to finance construction projects that support the System's mission; thereby, placing the System in a

better position to achieve its strategic goals. Capital leases, bonds, and notes payable as of June 30, 2014 and 2013 were $168 million and $186 million, respectively.

Table 7: Major Capital Construction Projects Completed During FY14 or In Progress at June 30, 2014
($ in millions)

	Project	Funding Source	Status	BOT Approved Budget
UMA				
	Jewett Hall Roof Replacement	Educational & General	Complete	$ 0.54
UMF				
	Merrill Hall Heating Boiler Replacement	Educational & General	In Progress	0.71
	Mantor Green Geothermal Well Field	Educational & General	In Progress	1.55
	Dearborn Gymnasium Renovation	Educational & General	In Design	1.20
UMFK				
	Renewable Biomass District Heating Plant	Grant, Educational & General	In Progress	5.50
	Forestry Geographic Info Sys Tech Labs/Nursing Lab Renovation/Teleconference Center Upgrades	State Bond	In Design	1.20
UMM				
	Powers Hall Exterior and Masonry	State Bond, Educational & General	In Design	1.50
	Science Building Laboratory Upgrades	State Bond, Educational & General	In Design	0.60
UM				
	University Park-Demolition/Renovation/Sprinklers	State Bond, Auxiliary, Educational & General	Complete	1.50
	Advanced Structures & Composites Center Expansion	Grant, State Bond, Educational & General	In Design	8.00
	Estabrooke Repurposing & Renovation & International Study Center	Educational & General	Complete	4.20
	Fogler Library HVAC Upgrades Phase I	State Bond, Educational & General	Complete	1.47
	Aquaculture Research Center Fish Lab Addition	Grant	In Design	0.60
	Planetarium & Observatory	Gift & Fund Raising, Educational & General	In Progress	5.20
	Memorial Gym Field House Renovation	2012 Revenue Bond, Gifts, Educational & General	In Progress	15.67
	Morse Field Scoreboard Upgrade	Gift & Fund Raising	In Progress	0.80
USM				
	Gorham Central Heat Plant Replacement	Educational & General	Complete	2.70
	Gorham Water Tank Refurbishment	Educational & General	Complete	0.63
	International Study Center	Educational & General	In Progress	0.80
	Science Technology Research Center	Grant	Complete	0.90
	Payson Smith Lab Renovation	State Bond	In Design	1.25
	Bailey Hall Lab Renovation	State Bond	In Design	1.25
	LAC Nursing Lab Renovation	State Bond	In Design	0.60
	Science Building Lab Upgrade	State Bond	In Design	0.70
UMPI				
	Folsom/Pullen Science Classroom & Lab Upgrades	State Bond	In Design	1.20
			TOTAL	$60.27

Net Position

Net investment in capital assets represents the historical cost of the System's capital assets reduced by total accumulated depreciation and outstanding principal balances on debt attributable to the acquisition, construction, or improvement of those assets. As seen in Table 4 on page 10, the System's net investment in capital assets was $532 million at June 30, 2014. The FY14 increase of $21 million was primarily the result of $10 million in net additions to capital assets after annual depreciation and an $11 million decline in related debt.

The FY13 increase of $11 million, as restated, was primarily the result of $4 million in net additions to capital assets after annual depreciation, a $9 million decline in related debt, and a $2 million reduction of capitalized bond costs pursuant to the required adoption of a new accounting standard. Notes 1b and 16 of the accompanying financial statements provides more information about this new accounting standard.

The restricted-nonexpendable net position of $57 million at June 30, 2014 represents the System's permanent endowment funds. Items that impact this category of net assets include new endowment gifts and fair market value fluctuations for those endowments whose fair value has fallen below the endowment corpus. For this net position category, the balance increased $1 million in FY14 and $1 million in FY13.

The restricted-expendable net position of $109 million at June 30, 2014 includes unexpended gifts and System endowment appreciation, above corpus, subject to externally imposed conditions on spending. This category of net position is restricted for a wide variety of purposes including student financial aid, capital asset acquisitions, research, and public service. The $9 million net increase in FY14 is primarily the result of a nearly $14 million increase in endowment market values from positive financial market conditions less over $6 million in restricted gift monies used for renovations and capital construction at UM primarily for the Memorial Gym and Emera Astronomy Center.

The $7 million net increase in FY13 is primarily the result of an $8 million increase in endowment market values from positive financial market conditions, a $2 million increase in State appropriated scholarship funding generated from increased Maine casino revenue, and a $2 million reduction in debt service reserves as a result of the System refinancing bonds in 2013 to achieve savings.

The unrestricted net position of $179 million at June 30, 2014 decreased by $4 million after having grown by $6 million in FY13. This net position category is not subject to externally imposed stipulations; however, these resources are critical for the financial stability of the UMS and have been designated for specific areas, including operational and capital needs, operating investment and other budget fluctuations, and benefits costs including covering the risks associated with self-insured plans. Given both the physical and financial size of the University of Maine System, funds must be readily available to cover various situations including emergency expenditures, strategic priorities, operating losses, over-expenditures on capital or other projects, and benefits costs.

Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reports total operating revenues, operating expenses, nonoperating revenues (expenses), other changes in net position, and the resulting change in net position for the fiscal year.

As mentioned earlier, and as further described in Notes 1b and 16 to the financial statements, FY13 has been restated to reflect retroactive applications of the change in accounting principle resulting in a change to the 2013 beginning of year net position of -$2 million while the effect on 2013 operating expenses was an increase of $1 million. The change in net position for FY13 (as restated), therefore declined $1 million and the impact to net position at June 30, 2013, is a decline of $3 million from the amount previously reported. The System's total net position increased $27 million in FY14, $27 million in FY13, and $38 million in FY12.

Table 8 shows Condensed Statements of Revenues, Expenses, and Changes in Net Position for the past five fiscal years ended June 30.

Table 8: Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30
($ in millions)

	2014	% Change	Restated 2013	% Change	2012	2011	2010
Net Student Fees	**$243**	**-1%**	**$246**	**2%**	$241	$239	$236
Grants, Contracts and Indirect Cost Recovery	**156**	**-3%**	**161**	**-10%**	178	186	171
Other Operating Revenues	**54**	**-4%**	**56**	**-2%**	57	59	62
Operating Revenues	**453**	**-2%**	**463**	**-3%**	476	484	469
Operating Expenses	**(675)**	**0%**	**(673)**	**0%**	(672)	(667)	(648)
Operating Loss	**(222)**	**6%**	**(210)**	**7%**	(196)	(183)	(179)
Nonoperating Revenues (Expenses)							
Noncapital State of Maine Appropriations	**198**	**2%**	**194**	**-2%**	198	195	190
State Fiscal Stabilization Funds	**0**	**0%**	**0**	**0%**	0	6	7
Gifts Currently Expendable	**14**	**27%**	**11**	**-8%**	12	11	11
Endowment Return Used for Operations	**5**	**0%**	**5**	**0%**	5	5	5
Investment Income	**13**	**30%**	**10**	**100%**	5	11	11
Interest Expense, Net	**(5)**	**-29%**	**(7)**	**-13%**	(8)	(8)	(9)
Net Nonoperating Revenues	**225**	**6%**	**213**	**0%**	212	220	215
Income Before Other Changes in Net Position	**3**	**0%**	**3**	**-81%**	16	37	36
Other Changes in Net Position							
State of Maine Capital Appropriation	**2**	**-67%**	**6**	**20%**	5	4	7
Capital Grants and Gifts	**7**	**-13%**	**8**	**-60%**	20	22	8
Endow. Return, Net of Amt. Used for Operations	**14**	**75%**	**8**	**233%**	(6)	14	5
Other	**1**	**-50%**	**2**	**-33%**	3	3	(1)
Total Other Changes in Net Position	**24**	**0%**	**24**	**9%**	22	43	19
Change in Net Position	**$27**	**0%**	**$27**	**-29%**	$38	$80	$55

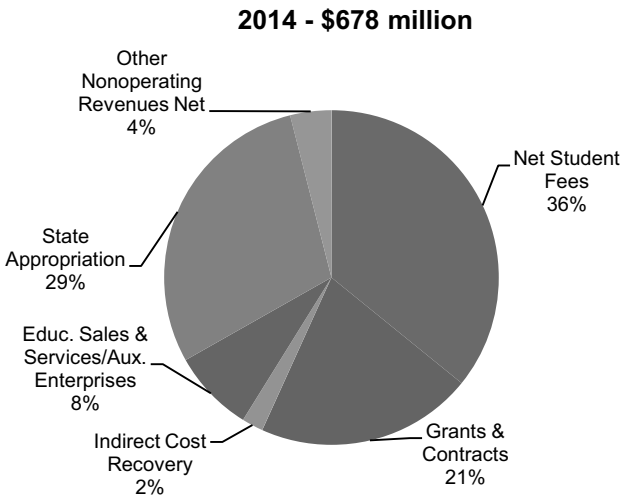
Operating and Nonoperating Revenue

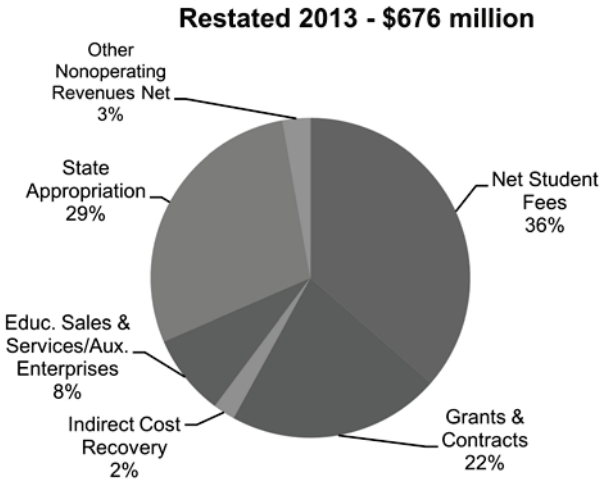
In addition to receiving tuition and fees, the System receives revenue from other sources such as governmental and privately funded grants and contracts; gifts from individuals, foundations, and corporations; state appropriations; and investment income.

UMS revenues and expenses are categorized as either operating or nonoperating. Certain significant recurring revenues and expenses are considered nonoperating including state appropriations, gifts, investment income or loss, and interest expense.

The following pie charts illustrate both the operating and net nonoperating revenue sources used to fund the System's activities for FY14 and FY13.

CHART 4: TOTAL OPERATING & NET NONOPERATING REVENUE





Net student fees of $243 million for FY14 are the primary source of operating revenues. The portion of total operating and net nonoperating revenues funded by net student revenues remained constant at 36% after having increased by 1% from FY12 to FY13.

Net student revenues are comprised of tuition and fees and residence and dining fees less scholarship allowances:

- Tuition and fees totaled $267 million in FY14, decreasing $1 million (or almost 1%) from the prior year. FY13 and FY12 saw increases in revenues of 1% and 2%, respectively, compared to their prior year.
- Residence and dining fees of $60 million in FY14 were up $2 million (or 4%) compared with the prior year, while such revenues were nearly flat in FY13 compared with FY12, following a decrease of $2 million (or 4%) from FY11.
- Scholarship allowances of $84 million increased $4 million (or 6%) in FY14, decreased $2 million (or 3%) in FY13, and increased less than $1 million (or 1%) in FY12.

Student Financial Aid:

Student financial aid awards are made from a variety of sources including federal, state, private, and university funds. Aid received from third parties is recognized as grants and contracts revenue on the Statements of Revenues, Expenses, and Changes in Net Position while the distribution of aid from all sources is shown as one of two components:

1. Scholarship Allowances – financial aid retained by the System to cover students' tuition, fees, and on-campus housing and meals. These amounts are reported as a direct offset to operating revenues.
2. Student Aid Expense – financial aid refunded to students to cover off-campus living costs, books, and other personal living expenses. These amounts are reported as operating expense.

Federal financial aid awards are based on a student's financial need compared with their total cost of education which includes tuition and fees, housing and meals (both on and off campus), books, and other personal living expenses.

In FY14, total financial aid provided to students was $114 million, increasing $3 million or 2% over FY13 aid of $111 million. The increase includes nearly $2 million in increased institutional restricted aid, an increase of $2 million in institutional unrestricted aid, and a decrease of nearly $2 million in aid from the State of Maine.

FY13 total financial aid of $111 million increased almost $1 million or 1% from FY12 aid. This change is the net result of a number of factors with the most notable being an increase in institutional aid.

In FY12, total financial aid of $110 million also saw a $1 million or 1% increase over FY11 aid. This increase is primarily the result of an increase in institutional aid to partially offset the increase in the students' cost of education less a decrease in federal aid as a result of the discontinuance of the ACG and SMART grants.

Grants, Contracts, and Indirect Cost Recovery:

Grants and contracts revenues are recognized to the extent of related expenses. Consequently, reported revenues will fluctuate based on the timing of expenses across fiscal years. The System receives funding from federal, state, and private sources with the majority of funding being provided by the federal government for research activities. State research and development funding is often used to leverage federal dollars.

Grants and contracts revenues totaled $142 million in FY14, decreasing $4 million or nearly 3% from FY13. Significant funding variations in this net decrease include a $1 million decline in ARRA funding; a nearly $1 million decline from the State of Maine Department of Labor as the funding for the Women, Work and Community program at UMA was not renewed; a $2 million increase in funding from the US Department of Energy at the University of Maine; a decline of $1 million in US Department of Health and Human Services funding at USM; and a decline of $1 million in funding at USM from the Colorado Department of Health and Human Services. UMA and USM experienced the greatest decline in grant funding with declines of $2 million and $3 million, respectively, while UM grant revenue increased $2 million.

Grants and contracts revenues totaled $146 million in FY13, decreasing $16 million or nearly 10% from FY12. This decrease includes a $3 million decline in ARRA funding, a decline of $7 million from the Maine Department of Health and Human Services, a $1 million decline in federal student financial aid, and a $1 million decline from the Maine Technology Institute. With the exception of UMFK, all campuses shared in the decline of grant funding in FY13, with UM experiencing the largest dollar loss at over $7 million or an 11% reduction from the prior year. USM saw the greatest percentage decline at 14% or almost $7 million. UMF's grant revenue also declined by almost $1 million or 11% from the prior year.

In FY12, grants and contracts revenues totaled $162 million, decreasing $7 million from FY11. This decrease includes an almost $4 million decline in ARRA funding, a decline of $3 million from the discontinuance of federal SMART and ACG grant programs, and a $1 million decline in Maine Technology Institute funding. These decreases were partially offset by a $2 million increase in the Public Utilities Commission funding for the Maine School and Library Network.

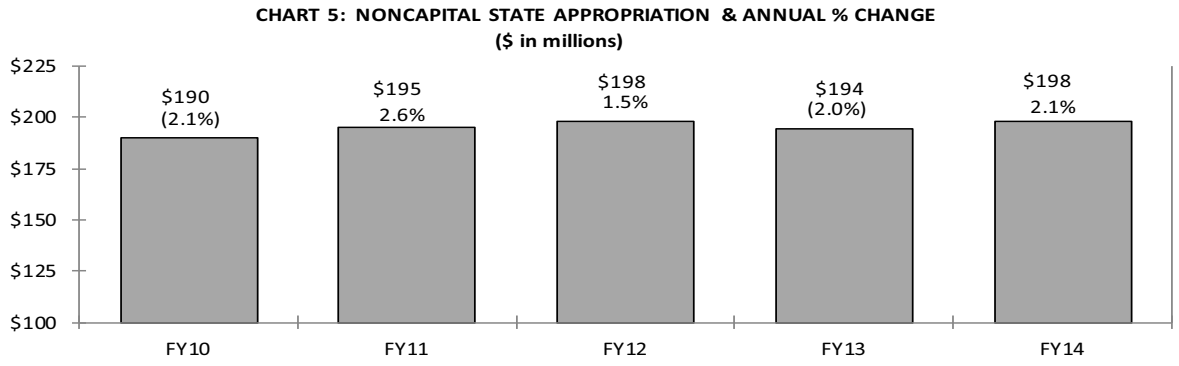
In addition to providing for direct costs, grants and contract sponsors also provide for recovery of Facilities and Administrative (F&A) costs which are also known as indirect costs. The amount of allowable F&A costs is calculated for each grant and contract using the applicable negotiated rate subject to specific sponsor limitations and other proposal and award conditions. Recovery of indirect costs totaled $14 million in FY14, down from $15 million in FY13, and $16 million in FY12.

Noncapital State of Maine Appropriations:

State noncapital appropriation revenue includes amounts for general operations as well as amounts legislatively earmarked for research and development, financial aid, and various other areas. Although not considered operating revenue under GASB reporting requirements, the noncapital State appropriation was the second largest funding source for educational and general operations behind Net Student Fees.

As shown in Chart 5 below, the System received $198 million in noncapital State appropriation revenue during FY14, up $4 million or 2.1% from FY13. The System received $194 million in noncapital State appropriation revenue during FY13, down $4 million or 2.0% from FY12, leaving FY14 flat compared with FY12.

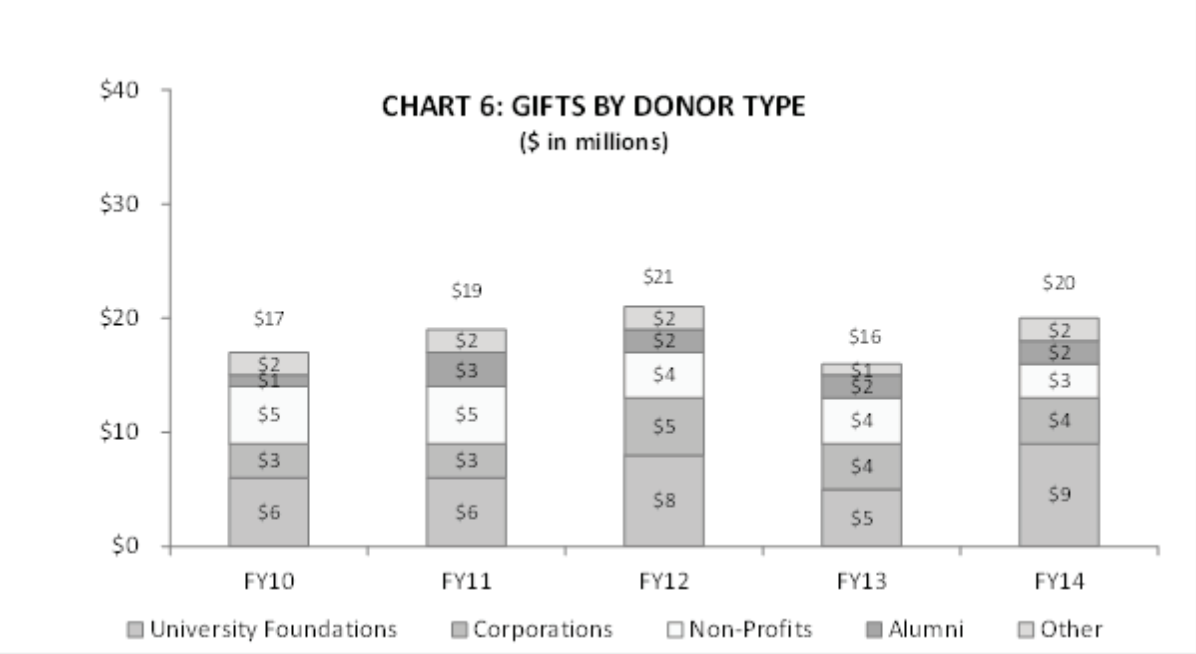
At $198 million, noncapital state appropriation covered 89% of the $222 million net operating loss in FY14, down from net operating loss coverage levels of 93% in FY13 and 101% in FY12.



Cash Gifts:

As shown in Chart 6 below, gifts received in FY14 were up $4 million from the prior year after having been down in FY13 by $5 million compared to the prior year. The FY13 decline was largely the result of UM having received several large gifts for athletic facility renovations in FY12.

Over $19 million or 97% of gifts received in FY14 were restricted, compared with 91% in FY13 and 95% in FY12. The donor type consistently contributing the most gift dollars is University Foundations.



Operating Expenses

Table 9 shows expenses on a functional basis while Table 10 shows expenses based on natural classification.

Table 9: Operating Expenses, Classified by Function
For the Years Ended June 30
($ in millions)

	Restated									
	2014		2013		2012		2011		2010	
Instruction	**$181**	**27%**	**$180**	**27%**	$179	27%	$178	27%	$180	28%
Research	**72**	**11%**	**69**	**10%**	73	11%	79	12%	75	12%
Public service	**60**	**9%**	**60**	**9%**	64	10%	61	9%	60	9%
Academic support	**76**	**11%**	**77**	**12%**	77	12%	73	11%	67	10%
Student services	**49**	**7%**	**50**	**7%**	48	7%	47	7%	47	7%
Institutional support	**52**	**8%**	**54**	**8%**	56	8%	50	8%	47	7%
Operation and maintenance of plant	**51**	**8%**	**50**	**7%**	47	7%	49	7%	46	7%
Depreciation and amortization	**34**	**5%**	**32**	**5%**	30	4%	29	4%	27	4%
Student aid	**30**	**4%**	**32**	**5%**	28	4%	28	4%	25	4%
Auxiliary enterprises	**70**	**10%**	**69**	**10%**	70	10%	73	11%	74	12%
Total Operating Expenses	**$675**	**100%**	**$673**	**100%**	$672	100%	$667	100%	$648	100%

Table 10: Total Expenses by Natural Classification
For the Years Ended June 30
($ in millions)

	Restated									
	2014		2013		2012		2011		2010	
Operating:										
Compensation and Benefits	**$440**	**65%**	**$433**	**64%**	$434	64%	$427	63%	$424	65%
Utilities	**35**	**5%**	**34**	**5%**	32	5%	32	5%	27	4%
Supplies and Services	**136**	**20%**	**142**	**21%**	148	22%	151	23%	144	22%
Depreciation and Amortization	**34**	**5%**	**32**	**5%**	30	4%	29	4%	28	4%
Student Aid	**30**	**4%**	**32**	**5%**	28	4%	28	4%	25	4%
Total Operating Expenses	**675**	**99%**	**673**	**99%**	672	99%	667	99%	648	99%
Nonoperating:										
Interest	**5**	**1%**	**7**	**1%**	8	1%	8	1%	9	1%
Total Expenses	**$680**	**100%**	**$680**	**100%**	$680	100%	$675	100%	$657	100%

As shown in Table 10, compensation and benefits expense increased $7 million in FY14 after declining $1 million in FY13 and increasing by $7 million in FY12.

Since FY10, annual compensation and benefits are up $16 million or 4%. Due to financial and program reasons, UMS has eliminated a substantial number of positions over the past several years. Within the last decade, System employment peaked in Fall 2007. From that time to Fall 2013, total employment

from all funding sources has declined by 521 full-time equivalent employees which included 260 full-time equivalent employees funded by educational and general sources.

CURRENT AND FUTURE CONSIDERATIONS

The System faces the combined challenges of declining New England demographics, enhanced competition for students, little ability or desire to increase tuition load on Maine families, and flat or declining state appropriations. To overcome these challenges and to seek new opportunities, the System is in the process of a multi-year, top-to-bottom review of all administrative services with the goals of enhancing service while reducing costs.

The System recognizes its role, as a leader and partner, in helping Maine to prosper. Maine must have a strong economy that will sustain businesses small and large, attract investment, and, most importantly, offer real opportunities for our citizens, especially our young people and their families. Maine's public universities are a critical, irreplaceable factor in Maine's success, and the success of the universities is linked to the success of the people of Maine.

Our efforts are guided by the Board of Trustees and the goals and actions they outlined for achieving mission excellence in January 2012. Key areas have been and continue to be reviewed with the goal of improved administrative efficiencies and services so that savings may be reinvested in the core mission critical areas of education, research and public service. Administrative reviews in information technology, strategic procurement, human resources, and facilities management are in various stages while other priority initiatives are underway. These reviews will have long-term and positive implications for the System. While many of the improvements will be behind the scenes, two areas that are highlighted below promise to be visible to students and Maine.

Academic Portfolio Review and Integration Process

In response to challenges and in order to enhance the quality, access and variety of its academic offerings, the System has committed to accomplishing a complete, rational restructuring of its academic portfolio. This includes administrative structure, policies, procedures, and culture, with the goal of optimally positioning the academic functions of the UMS to fulfill its mission of instruction, research and public service. Strategies to meet these goals may include sharing curriculum, developing joint programs and possibly departments, leveraging interactive distance technologies, and consideration of the overall portfolio of programs given the State's needs.

This rational restructuring will be done in a way that balances the system-wide academic portfolio while embracing the evolving differentiated missions, identities and brands of the seven unique and independently accredited universities. Fiscal and demographic pressures will drive the need for innovation and greater coordination and collaboration across UMS academics. The charge includes restructuring UMS academics to enhance quality and expand access to its collective portfolio while achieving necessary fiscal efficiencies. The plan will better leverage the academic capacity of faculty and staff and create an integrated academic portfolio that best serves our geographically-dispersed student population.

Facilities Management Considerations

UMS owns more than 650 buildings providing more than 9 million square feet of space located across the State. Currently campus budgets do not fully fund depreciation with facilities capital maintenance needs being funded primarily with operating surpluses, which has resulted in a depreciation "gap". To address this situation, the System issues revenue bonds when prudent and possible. The System also continues to seek State bond funding. The System currently has an administrative review underway to ensure the most cost-effective use of its capital facilities, infrastructure and property in order to best support our collective missions. Areas of focus include right-sizing the facility portfolio to reduce costs and improve the quality of the facilities as well as identifying and funding long-term capital needs of the System.

Recent Accounting Pronouncements

In June 2012, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB No. 68), was issued to improve financial reporting of pension plans by state and local governments. The new pension standard will affect how the System measures, reports, and discloses information about defined benefit pension plans. In November 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB No. 71) was issued as an amendment to GASB No.68. This Statement requires that, at transition, a government recognize a beginning deferred outflow of resources for any pension contributions made subsequent to the measurement date of the net pension liability. The System will be required to adopt GASB Nos. 68 and 71 for the fiscal year ending June 30, 2015. The effects of implementation on the financial statements have not yet been determined.

World and State Economic Considerations

Financial markets have favorably impacted the financial results reported herein but volatility persists and uncertainty continues regarding the Federal Reserve's plans to taper its accommodative monetary policy. These financial conditions present risks and opportunities as the System considers its investment and financing needs.

At 36%, net student fees is the largest source of revenue for the System. Despite fiscal challenges, the System has frozen FY15, FY14 and FY13 undergraduate in-state tuition and mandatory unified fees at 2012 levels. It has further committed to freezing tuition in the future if the state is able to meet requested levels of appropriation increases. Freezing tuition has been a clear recognition of the struggles of Maine families and the need to keep tuition affordable.

At 29%, the second largest revenue source for the System is State of Maine noncapital appropriations. In years past, the State has made significant adjustments to UMS' appropriation and other fiscal support as it balances its own budget. As shown previously in Chart 5, Noncapital State Appropriations at $198 million is flat compared with FY12 levels. The health of Maine's economy is critical to the stability of this revenue stream as the System recognizes the interdependencies between the economy of the State and the System's own health.

The Work Ahead

Economic conditions, unfavorable trends in demographics, and increased competition in higher education delivery mechanisms are all factors that call for continued transformational change requiring ongoing stakeholder engagement as we move forward as a System together.

The System views the work that is underway and that which lays ahead as an opportunity to improve mission excellence, in three core areas:

- first-class, accessible, and affordable education for students;
- research and economic development that positions Maine more favorably economically and socially; and
- the provision of critical services to our communities.

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University of Maine System

Statements of Net Position

June 30, 2014 and 2013

($ in thousands)

	2014	Restated 2013
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 817	$ 1,492
Short-term investments (Note 3)	240,431	244,333
Accounts, grants, and pledges receivable, net (Note 4)	53,240	56,616
Inventories and prepaid expenses	5,338	4,806
Notes and lease receivable, net (Note 5)	63	63
Total Current Assets	299,889	307,310
Noncurrent Assets		
Deposits with bond trustees (Notes 3 and 6)	400	6,366
Accounts, grants, and pledges receivable, net (Note 4)	4,140	9,938
Notes and leases receivable, net (Note 5)	41,072	40,044
Endowment investments (Note 3)	150,404	132,690
Capital assets, net (Note 6)	698,128	687,989
Total Noncurrent Assets	894,144	877,027
Total Assets	1,194,033	1,184,337
Deferred Outflows		
Deferred amount on refunding of debt	3,957	4,170
Total Assets and Deferred Outflows	**$ 1,197,990**	**$ 1,188,507**
Liabilities		
Current Liabilities		
Accounts payable	$ 13,062	$ 16,354
Unearned revenue and deposits (Note 8)	11,049	11,531
Accrued liabilities (Notes 7, 11, 13 and 14)	27,741	28,986
Funds held for others	2,599	1,644
Current portion of capital lease obligations (Note 7)	359	375
Current portion of bonds and notes payable (Note 7)	9,204	12,247
Total Current Liabilities	64,014	71,137
Noncurrent Liabilities		
Accrued liabilities (Notes 7, 11 and 13)	46,242	44,291
Funds held for others (Note 3)	21,628	18,640
Capital lease obligations (Note 7)	3,112	3,410
Bonds and notes payable, net (Note 7)	155,148	169,818
Government advances refundable (Note 9)	30,509	30,743
Total Noncurrent Liabilities	256,639	266,902
Total Liabilities	320,653	338,039
Net Position		
Net investment in capital assets (Note 10)	531,654	511,107
Restricted		
Nonexpendable (Note 10)	56,945	56,187
Expendable (Notes 3 and 10)	109,576	99,955
Unrestricted (Notes 3 and 10)	179,162	183,219
Commitments and contingencies (Notes 6, 7 and 11)	-	-
Total Net Position	877,337	850,468
Total Liabilities and Net Position	**$ 1,197,990**	**$ 1,188,507**

See accompanying notes to the basic financial statements.

University of Maine System

Statements of Financial Position – Discretely Presented Component Unit

June 30, 2014 and 2013

($ in thousands)

	2014	2013
Assets		
Cash and cash equivalents	$ 69	$ 85
Other receivables	108	192
Promises to give, less allowance for uncollectible pledges of $125 and $50, respectively	1,079	514
Short-term investments	2,391	3,582
Cash surrender value of life insurance	71	178
Long-term investments, endowment	189,151	162,835
Long-term investments, life income plans	4,909	4,494
Notes receivable	748	786
Equity in Buchanan Alumni House	2,659	2,678
Investment real estate	5,791	5,756
Property and equipment, net of accumulated depreciation of $154 and $140, respectively	91	90
Other assets	794	772
Irrevocable trusts	11,335	11,032
Assets managed for Buchanan Alumni House	330	300
Net funding to be provided from Buchanan Alumni House	85	165
Total Assets	**$ 219,611**	**$ 193,459**
Liabilities		
Accounts payable	$ 75	$ 47
Distributions due income beneficiaries	1,892	1,851
Accrued expenses	495	511
Notes payable	761	910
Custodial accounts payable	3,315	3,006
Total Liabilities	6,538	6,325
Net Assets		
Unrestricted net assets	8,136	6,704
Temporarily restricted net assets	62,652	46,033
Permanently restricted net assets	142,285	134,397
Total Net Assets	213,073	187,134
Total Liabilities and Net Assets	**$ 219,611**	**$ 193,459**

See accompanying notes to the basic financial statements.

University Of Maine System

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

($ in thousands)

	2014	Restated 2013
Operating Revenues		
Tuition and fees	$ 267,418	$ 268,863
Residence and dining fees	60,042	57,562
Less: scholarship allowances	(84,065)	(79,618)
Net student fees	243,395	246,807
Federal, state, and private grants and contracts	142,108	146,130
Recovery of indirect costs	13,810	14,989
Educational sales and services and other revenues	32,334	31,789
Other auxiliary enterprises	21,564	23,906
Total Operating Revenues	453,211	463,621
Operating Expenses		
Instruction	180,598	179,640
Research	72,508	68,775
Public service	60,322	60,396
Academic support	76,191	76,754
Student services	48,933	50,497
Institutional support	51,825	54,184
Operation and maintenance of plant	51,289	50,235
Depreciation and amortization	33,793	32,227
Student aid	29,658	31,518
Auxiliary enterprises	69,752	69,098
Total Operating Expenses	674,869	673,324
Operating Loss	(221,658)	(209,703)
Nonoperating Revenues (Expenses)		
Noncapital State of Maine appropriations	198,263	194,417
Gifts currently expendable	13,796	11,020
Endowment return used for operations (Note 3)	5,136	5,015
Investment income (Note 3)	13,081	9,586
Interest expense, net (Note 7)	(5,786)	(7,240)
Net Nonoperating Revenues	224,490	212,798
Income Before Other Changes in Net Position	**2,832**	**3,095**
Other Changes in Net Position		
State of Maine capital appropriations	1,918	6,144
Capital grants and gifts	7,403	8,106
Endowment return (loss), net of amount used for operations (Note 3)	13,836	8,380
True and quasi endowment gifts	880	1,452
Total Other Changes in Net Position	24,037	24,082
Change in Net Position	**26,869**	**27,177**
Net Position - Beginning of Year - As Restated - Note 16	850,468	823,291
Net Position - End of Year	$ 877,337	$ 850,468

See accompanying notes to the basic financial statements.

University of Maine System

Statements of Activities – Discretely Presented Component Unit

Years Ended June 30, 2014 and 2013
(With Comparative Totals for 2013)
($ in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Revenues, Gains, Losses, and Reclassification					
Contributions	$ 1,420	$ 5,077	$ 7,140	$ 13,637	$ 7,816
Investment income and other revenue	1,637	23,106	113	24,856	14,041
Net assets released from restrictions	10,929	(11,564)	635	-	-
Total Revenues, Gains, Losses, and Reclassification	13,986	16,619	7,888	38,493	21,857
Expenses and Losses					
Program services	10,968	-	-	10,968	6,259
Management and general	504	-	-	504	653
Fundraising	1,082	-	-	1,082	867
Total Expenses and Losses	12,554	-	-	12,554	7,779
Change in Net Assets	**1,432**	**16,619**	**7,888**	**25,939**	**14,078**
Net Assets - Beginning of Year	6,704	46,033	134,397	187,134	173,056
Net Assets - End of Year	$ 8,136	$ 62,652	$ 142,285	$ 213,073	$ 187,134

See accompanying notes to the basic financial statements.

University Of Maine System

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

($ in thousands)

	2014	Restated 2013
Cash Flows From Operating Activities		
Tuition, residence, dining, and other student fees	$ 243,310	$ 245,232
Grants and contracts	156,636	165,473
Educational sales and services and other auxiliary enterprise revenues	50,847	54,439
Payments to and on behalf of employees	(434,795)	(434,053)
Financial aid paid to students	(35,804)	(37,815)
Payments to suppliers	(173,821)	(176,182)
Loans issued to students	(7,074)	(6,712)
Collection of loans to students	5,500	5,482
Interest collected on loans to students	722	744
Net Cash Used for Operating Activities	(194,479)	(183,392)
Cash Flows From Noncapital Financing Activities		
State appropriations	198,263	194,417
Noncapital grants and gifts	14,865	14,021
Agency transactions	9,515	2,509
Net Cash Provided by Noncapital Financing Activities	222,643	210,947
Cash Flows From Capital and Related Financing Activities		
Capital appropriations	5,270	3,690
Capital grants and gifts	8,380	10,998
Acquisition and construction of capital assets	(43,109)	(35,583)
Issuance costs on capital debt	-	(220)
Principal paid on capital debt and leases	(17,007)	(10,351)
Interest paid on capital debt and leases	(6,925)	(8,274)
Net Cash Used for Capital and Related Financing Activities	(53,391)	(39,740)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	538,267	418,302
Purchases of investments	(518,746)	(411,762)
Earnings from investments	5,031	6,012
Net Cash Provided by Investing Activities	24,552	12,552
Net Increase (Decrease) in Cash and Cash Equivalents	(675)	367
Cash and cash equivalents - Beginning of Year	1,492	1,125
Cash and cash equivalents - End of Year	$ 817	$ 1,492

See accompanying notes to basic financial statements.

University Of Maine System
Statements of Cash Flows
Years Ended June 30, 2014 and 2013
($ in thousands)

Reconciliation of operating loss to net cash used for operating activities:

	2014	Restated 2013
Operating loss	$ (221,658)	$ (209,703)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Depreciation and amortization	33,793	32,227
Bond costs paid through bond financiing	-	874
Changes in assets and liabilities:		
Accounts and grants receivable, net	(1,317)	3,820
Inventories and prepaid expenses	(532)	300
Notes receivable, net	(1,090)	(763)
Accounts payable	(1,827)	(1,669)
Unearned revenue and deposits	(505)	(639)
Accrued liabilities	(1,109)	(7,573)
Grants refundable	(234)	(266)
Net Cash Used for Operating Activities	$ (194,479)	$ (183,392)

Noncash investing, capital, and financing activities:

Capital asset additions included in accounts payable and accrued liabilities as of June 30	$ 4,372	$ 4,246
Capital asset additions acquired through capital leases	$ 73	$ -
Capital asset additions acquired through long-term debt	$ -	$ 87
Refunding of debt through new bond issuance	$ -	$ 72,030
Liquidation of debt service reserve	$ -	$ 2,905

See accompanying notes to basic financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The University of Maine System ("the System"), a discretely presented component unit of the State of Maine, consists of seven Universities, eight centers, and a central administrative office. All activities of the System are included in the accompanying financial statements, including those of its discretely presented component unit which is a not-for-profit entity controlled by a separate governing board whose goal is to support the System (see Note 15). The component unit receives funds primarily through donations and contributes funds to the System for student scholarships and institutional support.

b. Basis of Presentation

The accompanying financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB).

The System's policy for defining operating activities in the Statements of Revenues, Expenses, and Changes in Net Position are those that generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services and certain grants. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* These nonoperating activities include the System's operating appropriations from the State of Maine, net investment income, gifts, and interest expense.

The System records applicable pollution remediation obligations in accordance with the provisions of GASB Statement No. 49*, Pollution Remediation Obligations*.

The System follows GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity.

The System follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standard Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- FASB Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure

The System follows GASB Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under GASB 63, the System's financial statements reflect the residual measure in the statement of net position as net position, rather than net assets.

In FY14, the System adopted GASB Statement No. 65, *Financial Reporting of Items Previously Reported as Assets and Liabilities*, retroactive to July 1, 2012. Pursuant to the provisions of Statement No. 65, the FY13 financial statements have been restated to reflect retroactive applications of this change in accounting principle. Under Statement No. 65, certain items that were previously reported as assets and liabilities are to be reported as outflows of resources or inflows of resources in the year incurred or received. In conjunction with adopting this statement, all bond issuance costs are now expensed in the year incurred. Conforming changes were made retroactively to all years presented including reclassification of certain balances and restatement of beginning net position. The adoption of Statement No. 65 is described further in Note 16.

c. Net Position

The System's net position (assets plus deferred outflows minus liabilities) is classified for accounting purposes in the following four categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets. It also includes the premiums/discounts related to the outstanding debt. This category excludes the portion of debt attributable to unspent bond proceeds.

Restricted – nonexpendable: Net position subject to externally imposed conditions that the System maintain them in perpetuity. In the event that market fluctuations have caused the fair value of an endowment to fall below corpus, the related net position is valued at the lower fair value amount. Such net position includes the historical gift value of restricted true endowment funds.

Restricted – expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the System or by the passage of time. Such net position includes the accumulated net gains on true endowment funds, restricted gifts and income, and other similarly restricted funds.

Unrestricted: All other categories of net position. Unrestricted net position may be committed by actions of the System's Board of Trustees.

The System has adopted a policy of generally utilizing restricted – expendable resources, when available, prior to unrestricted resources.

d. Cash and Cash Equivalents

The System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

e. Investments

All investments are reported at fair value. System management is responsible for the fair measurement of investments reported in the financial statements. The System has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that reported fair values at the statement of net position date are reasonable.

Third party investments: Three outside entities, the UMS Other Post Employment Benefit (OPEB) Trust, Maine Maritime Academy and University of Maine School of Law Foundation, pool monies with the System's endowment pool. Investment performance results of these pooled monies are allocated on a pro rata basis based on the number of pool shares held by each entity. Contributions to and withdrawals from the pool are allowed only on the first business day of a calendar quarter. Investment of these monies follows guidelines approved by the Board of Trustees Investment Committee. These guidelines are further disclosed in the remainder of this Note and Note 3 to these financial statements as part of the discussion of endowments.

Endowment: The System follows the pooled investment concept for its endowed funds, whereby all invested funds are included in one pool, except for funds that are separately invested as directed by the donor. Investment income is allocated to each endowed fund in the pool based on its pro-rata share of the pool.

The income produced by the fund, including realized and unrealized gains, can be used to meet the spending objective. As determined by policy, the expendable income objective was 4.50% for FY14 and FY13. The percentage was applied to a 3-year market value average to determine expendable income.

Under State of Maine law, the System may spend realized and unrealized appreciation on endowments in addition to earnings on the funds. It is the System's policy to spend a portion of the endowment earnings on operations and reinvest the balance. The reinvested earnings are presented as other changes in net position.

Authorized Investment Vehicles:

Short-term Investments: The System has a three-tiered approach regarding its short-term investments:

- Cash Pool – This tier is invested in a portfolio of highest quality short-term fixed-income securities (treasury obligations, agency securities, banker's acceptances, money market funds, certificates of deposit (CDs), commercial paper, short-term bond funds) with adequate liquidity. The average rating of the pool is at least "A1".
- Intermediate Pool – This tier is invested in a diversified portfolio, in accordance with investment manager guidelines, consisting primarily of fixed income securities with a normal average duration of 1-5 years. The overall average quality rating of this pool is at least "A-".
- Long-term Pool – This tier consists of funds that will not be required for at least 36 months. Assets should be diversified both by asset class and within asset classes. No minimum quality rating is specified for this pool, since it can invest in non-fixed income securities.

Endowment Investments: The fund will be diversified both by asset class and within asset classes. In order to have a reasonable probability of consistently achieving the Fund's return objectives, the following asset allocation policy has been adopted as of June 30:

	2014	2013
• Equity securities	33-53%	35-55%
• Fixed income securities	10-20%	10-20%
• Other	30-50%	30-50%
• Cash	0-10%	0-10%

Deposits with Bond Trustees: These monies are invested in accordance with the governing bond resolutions and arbitrage certificates.

f. Inventories

Inventories are stated at cost. Cost is determined using the first-in, first-out method or the average-cost method.

g. Gifts and Pledges

Gifts are recorded at their fair value at the date of gift. Promises to donate to the System are recorded as receivables and revenues when the System has met all applicable eligibility and time requirements. Gifts and bequests to be used for endowment purposes are categorized as endowment gifts. Other gifts are categorized as currently expendable. Since the System cannot fulfill the time requirement for gifts to endowments until the gift is received, pledges to endowments are not reported. Pledges receivable are reported net of amounts deemed uncollectible, and after discounting to the present value of the expected future cash flows. Because of uncertainties with regard to their realizability and valuation, bequests and intentions to give and other conditional promises are not recognized as assets until the specified conditions are met.

h. Grants and Contracts and Capital Appropriations

The System records a receivable and corresponding revenue for these funding sources at the point all eligibility requirements (e.g., allowable costs are incurred) are met.

i. Capital Assets

Capital assets which include property, plant, equipment, intangible assets and library holdings are recorded at cost when purchased or constructed and at fair value at date of donation. Costs for maintenance, repairs and minor renewals and replacements are expensed as incurred; major renewals and replacements are capitalized.

Prior to July 1, 2003, library materials were generally capitalized and depreciated over a ten-year period. Effective July 1, 2003, the System began to expense library materials as incurred. The System will retain the undepreciated library materials balance as a core non-depreciating asset.

The System does not capitalize and depreciate its collections of historical treasures and works of art because it is the System's policy that:

- Works of art and historical treasures are to be held for public exhibition, education, or research in furtherance of public service, rather than for financial gain.
- Works of art and historical treasures are to be protected, kept unencumbered, cared for, and preserved.
- The proceeds from sales of works of art and historical treasures are to be used to acquire other items for the collections.

A capitalization threshold of $50 is used for buildings, building additions and improvements, land improvements and internally generated intangibles. Equipment (including equipment acquired under capital leases) and purchased software are capitalized with a unit cost of $5 or more.

These assets, with the exception of land, are depreciated and amortized using the straight-line basis over the estimated useful lives of the related assets, which range from 4 to 60 years.

Interest costs on debt related to capital assets, net of investment income on unspent bond proceeds, are generally capitalized during the construction period.

j. Unearned Revenue and Deposits

Unearned revenue in the Statements of Net Position consists primarily of grant and contract advances and deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year. Unearned revenue for summer programs is presented net of related expenses (e.g., student aid).

k. Compensated Absences

Employees earn the right to be compensated during absences for annual vacation leave. The accompanying Statements of Net Position reflect an accrual for the amounts earned, including related benefits ultimately payable for such benefit. The System accounts for the vacation leave hours on a last-in, first-out basis. A portion of this liability is classified as current and represents the System's estimate of vacation time that will be paid during the next fiscal year to employees leaving the System.

l. Deferred Amounts on Refunding

Deferred amounts on refunding represent the difference between the reacquisition price and the carrying value of refunded revenue bonds. These amounts are amortized and charged to operations as additional interest expense over the shorter of the remaining life of the refunded bonds or the life of the new bonds. The unamortized portion is reported in the Statements of Net Position as a deferred inflow or outflow of resources.

m. Net Student Fees

Student tuition, dining, residence, and other fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as expenses.

n. Tax Status

The System is exempt from income taxes under Section 115 of the Internal Revenue Code as a governmental entity. It has also been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code.

o. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates in the financial statements include liabilities for self-insured plans, pension and other retirement benefit obligations, as well as allowances for uncollectible receivables. Actual results could differ from those estimates. The current economic environment increases the uncertainty of those estimates.

p. Reclassifications

Certain FY13 items in the accompanying financial statements have been reclassified, without effect on total net position, to conform to the FY14 presentation.

2. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. Deposits are considered uninsured and uncollateralized if they are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the System's name. The System's policy is that with the exception of daily operating cash, it will carry no deposits that are uncollateralized or uninsured. As of June 30, 2014 and 2013, the bank balances with uninsured or uncollateralized operating cash deposits was $2,283 and $3,610, respectively.

3. INVESTMENTS

a. Composition and Purpose of Investments

The System uses a pooled investment approach for its endowments (including Affiliates' endowments invested with the System) unless otherwise required by the donor. Three outside entities, the UMS OPEB Trust, Maine Maritime Academy and the University of Maine School of Law Foundation, pool monies with the System's endowment. Investment policies and strategies are determined for the combined pool. Fair values, credit ratings, and interest rate risk for the entire investment pool are presented below under 'endowment' investments. The amount held for these three outside entities is then deducted to show only the amount of the System's endowment investment.

Short-term Investments: The System's short-term investments are available to fund operations or other purposes as determined by System management.

Endowment Investments: Except for certain gifts invested separately at the request of the donors ($190 and $180 at June 30, 2014 and 2013, respectively), the System's endowment is managed as a pooled investment fund using external investment managers. The University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, and the John L. Martin Scholarship Fund, Inc. participate in the System's endowment pool through a management agreement. The fair values of the investments held for these affiliated organizations at June 30, 2014 and 2013, respectively are $21,628 and $18,640, and are reported as funds held for others in the accompanying Statements of Net Position.

Endowed gifts are invested to generate income to be used to fund various activities such as scholarships, research, etc. as specified by the donors. Total endowment accumulated income and gains available to the System for spending are as follows at June 30:

	2014	2013
Restricted - expendable	$55,963	$43,824
Unrestricted	15,619	13,753
Total available for spending	$71,582	$57,577

Deposits with Bond Trustees: Deposits with bond trustees are composed of unexpended revenue bond proceeds.

The System's investments are composed of the following at June 30, 2014:

	Fair Value	Credit Rating	Interest Rate Risk	
Short-term Investments:				
Equities:				
Multi-strategy funds	$ 68,343			
Fixed Income Funds:				
Bank loans	18,480	Not rated	.10 years	Duration
Bonds	115,227	Not rated	-.10 - 5.6 years	Duration
Money markets	17,469	Not rated	38-41 days	Ave maturity
State pool	20,912	Not rated	.61 years	Duration
Total	$ 240,431			
Deposits with Bond Trustees:				
Fixed Income Funds:				
Bonds	$ 190	Aaa-Moody's	24 days	Ave maturity
Money markets	206	Not rated	38-41 days	Ave maturity
State pool	4	Not rated	.61 years	Duration
Total	$ 400			
Endowment Investments:				
Pooled Investments:				
Money funds, savings, CDs	$ 497			
Equities:				
Equities	21,734			
Equity funds	121,846			
Multi-strategy funds	106,079			
Fixed Income Funds:				
Money markets	391	Not rated	39 days	Ave maturity
Bonds	27,843	Not rated	4.2 years	Duration
Total Pooled Investments	278,390			
Less portion held on behalf of outside entities	(128,176)			
Endowment portion of pooled investments	150,214			
Separately Invested Assets:				
Money funds, savings, CDs	68			
Equities	122			
Total	$ 150,404			

The System's investments are composed of the following at June 30, 2013:

	Fair Value	Credit Rating	Interest Rate Risk	
Short-term Investments:				
Equities:				
Multi-strategy funds	$ 69,080			
Fixed Income Funds:				
Bank loans	22,606	Not rated	.1 years	Duration
Bonds	118,886	Not rated	.61 - 5.5 years	Duration
Money markets	12,390	Not rated	43-47 days	Ave maturity
State pool	21,371	Not rated	.67 years	Duration
Total	$ 244,333			
Deposits with Bond Trustees:				
Fixed Income Funds:				
Bonds	$ 190	Aaa-Moody's	53 days	Ave maturity
Money markets	6,172	Not rated	43-47 days	Ave maturity
State pool	4	Not rated	.67 years	Duration
Total	$ 6,366			
Endowment Investments:				
Pooled Investments:				
Money funds, savings, CDs	$ 563			
Equities:				
Equities	40,048			
Equity funds	85,111			
Multi-strategy funds	86,387			
Fixed Income Funds:				
Money markets	706	Not rated	50 days	Ave maturity
Bonds	21,343	Not rated	4.3 years	Duration
Total Pooled Investments	234,158			
Less portion held on behalf of outside entities	(101,648)			
Endowment portion of pooled investments	132,510			
Separately Invested Assets:				
Money funds, savings, CDs	68			
Equities	112			
Total	$ 132,690			

b. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's policy for managing interest rate risk is as follows:

Short-term Investments: To limit interest rate exposure, the System diversifies its investments as specified in Note 1.e.

Endowment Investments: To limit interest rate exposure, the Endowment investment policy restricts:

- The average effective duration of the investment grade fixed income portfolio to no more than 1 year greater than the duration of the Barclays Capital Aggregate Bond Index which is 5.58 years and 5.28 years at June 30, 2014 and 2013, respectively.
- The average effective duration for the high yield bond portfolio to no more than 1 year greater than the duration of the Citigroup BB/B Bond Index which is 7.01 years and 6.73 years at June 30, 2014 and 2013, respectively.

c. Foreign Currency Risk

Short-term Investments: Several of the institutional funds in which the System invests include holdings in various foreign currencies, with some funds hedging against foreign currency risk. Foreign currency holdings represent 3% or less of the total dollar value of short-term investments at June 30, 2014 and 2013.

Endowment Investments: University policy is that up to 20% of the endowment portfolio may be invested in international equity assets and currency exposure may be hedged or unhedged. Additionally, 15% may be invested in a diversified global asset portfolio, which may be hedged or unhedged at the investment manager's discretion.

d. Investment Income

Income related to the System's investments is as follows:

	2014			
	Net Gains (Losses)	Interest and Dividends	Investment Fees	Net Earnings
Endowment investments	$ 19,115	$ 2,625	$ (1,370)	$ 20,370
Managed funds distributed				(1,398)
System endowment income				$ 18,972
Reported as endowment return used for operations				$ 5,136
Reported as endowment return, net of amount used for operations				13,836
System endowment income				$ 18,972
Short-term investments	$ 8,944	$ 5,660	$ (1,524)	$ 13,080
Deposits with bond trustees	-	1	-	1
Total other investment income	$ 8,944	$ 5,661	$ (1,524)	$ 13,081

	2013			
	Net Gains (Losses)	Interest and Dividends	Investment Fees	Net Earnings
Endowment investments	$ 12,406	$ 2,263	$ (1,136)	$ 13,533
Managed funds distributed				(138)
System endowment income				$ 13,395
Reported as endowment return used for operations				$ 5,015
Reported as endowment return, net of amount used for operations				8,380
System endowment income				$ 13,395
Short-term investments	$ 4,672	$ 6,041	$ (1,265)	$ 9,448
Deposits with bond trustees	-	138	-	138
Total other investment income	$ 4,672	$ 6,179	$ (1,265)	$ 9,586

4. ACCOUNTS, GRANTS, AND PLEDGES RECEIVABLE

Accounts, grants, and pledges receivable include the following at June 30:

	2014			2013		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Student and other accounts receivable	$ 31,506	$ 31,506	$ -	$ 34,368	$ 34,367	$ 1
Grants receivable	26,161	25,834	327	30,223	26,545	3,678
Pledges receivable	4,979	986	3,993	7,732	1,192	6,540
Total gross receivables	62,646	58,326	4,320	72,323	62,104	10,219
Less allowance for doubtful accounts	(5,154)	(5,086)	(68)	(5,598)	(5,488)	(110)
Less discount on pledges receivable	(112)	-	(112)	(171)	-	(171)
Total receivables, net	$ 57,380	$ 53,240	$ 4,140	$ 66,554	$ 56,616	$ 9,938

In accordance with GASB Statement No. 35, grants receivable related to the acquisition of capital assets are reported as a noncurrent receivable even though collection is expected within the next twelve months.

5. NOTES AND LEASES RECEIVABLE

Notes and leases receivable include the following at June 30:

	2014			2013		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Perkins Loans	$ 30,994	$ -	$ 30,994	$ 30,593	$ -	$ 30,593
Nursing Loans	1,862	-	1,862	1,743	-	1,743
Institutional Loans	8,687	-	8,687	8,183	-	8,183
Lease receivable **(a)**	939	63	876	1,001	63	938
Total notes and leases receivable	42,482	63	42,419	41,520	63	41,457
Less allowance for doubtful accounts	(1,347)	-	(1,347)	(1,413)	-	(1,413)
Total notes and leases receivable, net	$ 41,135	$ 63	$ 41,072	$ 40,107	$ 63	$ 40,044

Collections of the notes receivable for Perkins, Nursing, and Institutional loans may not be used to pay current liabilities, as the proceeds are restricted for making new loans. Accordingly, these notes receivable are recorded in the accompanying Statements of Net Position as noncurrent assets.

(a) Lease receivable consists of the following:

	2014	2013
University of New Hampshire		
Secured by equipment; monthly payments of $5, including interest at 4.85% per annum; matures 2029	$ 939	$ 1,001

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reclasses	Retirements	Ending Balance
Land	$ 17,701	$ -	$ 157	$ -	$ 17,858
Library materials	25,686	-	-	-	25,686
Construction in progress	21,568	39,371	(52,445)	-	8,494
Total nondepreciable assets	64,955	39,371	(52,288)	-	52,038
Land improvements	48,515	-	2,176	-	50,691
Buildings & improvements	798,880	-	40,040	(272)	838,648
Equipment	109,851	2,631	9,048	-	121,530
Software	26,073	1,930	1,024	-	29,027
Total depreciable assets	983,319	4,561	52,288	(272)	1,039,896
Less accumulated depreciation:					
Land improvements	29,731	1,768	-	-	31,499
Buildings & improvements	260,615	19,962	-	(272)	280,305
Equipment	56,794	9,842	-	-	66,636
Software	13,145	2,221	-	-	15,366
Total accumulated depreciation	360,285	33,793	-	(272)	393,806
Net depreciable assets	623,034	(29,232)	52,288	-	646,090
Total capital assets	$ 687,989	$ 10,139	$ -	$ -	$ 698,128

Capital asset activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reclasses	Retirements	Ending Balance
Land	$ 17,460	$ 167	$ 74	$ -	$ 17,701
Library materials	25,686	-	-	-	25,686
Construction in progress	21,784	31,939	(32,155)	-	21,568
Total nondepreciable assets	64,930	32,106	(32,081)	-	64,955
Land improvements	47,106	-	1,409	-	48,515
Buildings & improvements	777,051	-	21,829	-	798,880
Equipment	96,700	4,308	8,843	-	109,851
Software	25,995	78	-	-	26,073
Total depreciable assets	946,852	4,386	32,081	-	983,319
Less accumulated depreciation:					
Land improvements	28,073	1,658	-	-	29,731
Buildings & improvements	241,669	18,946	-	-	260,615
Equipment	47,370	9,424	-	-	56,794
Software	10,946	2,199	-	-	13,145
Total accumulated depreciation	328,058	32,227	-	-	360,285
Net depreciable assets	618,794	(27,841)	32,081	-	623,034
Total capital assets	$ 683,724	$ 4,265	$ -	$ -	$ 687,989

Additions to capital assets for the years ended June 30, 2014 and 2013 include the following:

- Assets acquired through capital leases of $73 and $0, respectively
- Capitalized interest costs of $86 and $95, less $0 and $5, respectively, of interest earnings on unexpended bond proceeds

As of June 30, 2014 and 2013, $210 and $6,176, respectively, in proceeds from revenue bond issuances remain unspent. These amounts are included in the accompanying Statements of Net Position as part of deposits with bond trustees.

Also remaining unspent as of June 30, 2014 is $22,908 in capital appropriations awarded by the State of Maine. These amounts are not included in the accompanying financial statements because the System has not met all eligibility requirements, e.g., incurred costs.

Both the revenue bond and capital appropriation monies are earmarked for specific projects, most of which are capital construction projects. As monies are spent on these projects the costs are included in capital assets in the accompanying Statements of Net Position.

Outstanding commitments on uncompleted construction contracts totaled $9,169 and $24,212 at June 30, 2014 and 2013, respectively.

7. LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2014 consist of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases and bonds payable:					
Capital lease obligations **(a)**	$ 3,785	$ 73	$ (387)	$ 3,471	$ 359
Bonds and notes payable **(b)**	182,065	-	(17,713)	164,352	9,204
Total leases and bonds payable	185,850	73	(18,100)	167,823	9,563
Accrued liabilities:					
Workers' compensation - Note 11	4,381	779	(1,108)	4,052	1,251
Health insurance - Note 11	6,254	64,677	(63,645)	7,286	7,287
Postemployment health plan - Note 14	2,509	13,052	(15,561)	-	-
Other employee benefit programs - Note 13	44,996	58,901	(56,469)	47,428	5,961
Other	15,137	14,722	(14,642)	15,217	13,242
Total accrued liabilities	73,277	152,131	(151,425)	73,983	27,741
Total long-term liabilities	$ 259,127	$ 152,204	$ (169,525)	$ 241,806	$ 37,304

Changes in long-term liabilities during the year ended June 30, 2013 consist of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases and bonds payable:					
Capital lease obligations **(a)**	$ 4,093	$ -	$ (308)	$ 3,785	$ 375
Bonds and notes payable **(b)**	190,007	74,897	(82,839)	$ 182,065	12,247
Total leases and bonds payable	194,100	74,897	(83,147)	185,850	12,622
Accrued liabilities:					
Workers' compensation - Note 11	5,744	-	(1,363)	4,381	1,380
Health insurance - Note 11	8,531	61,396	(63,673)	6,254	6,254
Postemployment health plan - Note 14	7,017	16,327	(20,835)	2,509	2,509
Other employee benefit programs - Note 13	43,765	56,197	(54,966)	44,996	4,264
Other	16,692	14,147	(15,702)	15,137	14,579
Total accrued liabilities	81,749	148,067	(156,539)	73,277	28,986
Total long-term liabilities	$ 275,849	$ 222,964	$ (239,686)	$ 259,127	$ 41,608

(a) Lease Obligations

The System leases certain equipment and real estate under leases with terms exceeding one year. Future minimum lease payments under capital leases and under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2014 are as follows:

	Capital Leases		Operating	
Year Ending June 30:	Principal	Interest	Leases	Total
2015	$ 359	$ 146	$ 1,208	$ 1,713
2016	409	131	843	1,383
2017	353	114	619	1,086
2018	289	101	492	882
2019	290	89	421	800
2020-2024	810	320	697	1,827
2025-2029	886	114	665	1,665
2030-2034	75	1	659	735
2035-2039	-	-	395	395
Total minimum lease payments	$ 3,471	$ 1,016	$ 5,999	$ 10,486

The rent expense related to operating leases amounted to $1,583 for the year ended June 30, 2014 and $1,588 for the year ended June 30, 2013.

(b) Bonds and Notes Payable

Bonds and notes payable consist of the following at June 30:

	2014	Restated 2013
2013 Series A Revenue Bonds (original principal of $65,255)		
Serial bonds, maturing from 2014 to 2033, wth annual principal payments from $1,275 to $4,425 and coupon interest rates from 2.0% to 5.0%. Issued to refund 2000A, 2003A, 2004A, and 2005A Series Revenue bonds.	$ 58,985	$ 60,260
3.5% Term Bonds due March 1, 2034	2,455	2,455
3.5% Term Bonds due March 1, 2035	2,540	2,540
Add: unamortized premium	8,250	9,433
Total 2013 Series A Bonds	72,230	74,688
2012 Series A Revenue Bonds (original principal of $34,975)		
Serial bonds, maturing from 2013 to 2028, and 2031, wth annual principal payments from $1,070 to $2,540 and coupon interest rates from 2.0% to 4.0%. Issued to refund balloon on the 2002A Series Revenue bonds and to provide funding for a capital project.	25,500	27,695
3.0% Term Bonds due March 1, 2030	2,540	2,540
3.0% Term Bonds due March 1, 2033	2,620	2,620
Add: unamortized premium	1,720	2,079
Total 2012 Series A Bonds	32,380	34,934
2007 Series A Revenue Bonds (original principal of $46,740)		
Serial bonds, maturing from 2008 to 2037, with annual principal payments from $195 to $3,380 and coupon interest rates from 4.0% to 5.0%. Issued to partially refund the 1998A and 2004A Series Revenue Bonds and to provide funding for capital projects.	41,760	42,655
Add: unamortized premium	505	551
Total 2007 Series A Bonds	42,265	43,206
2005 Series A Revenue Bonds (original principal of $69,125)		
Serial bonds, maturing from 2006 to 2035, with annual principal payments from $75 to $3,455 and coupon interest rates from 3.5% to 5.0%. Issued to partially refund the 1998A, 2000A, 2002A, and 2003A Series Revenue Bonds and to provide funding for capital projects.	10,500	12,100
Add: unamortized premium	82	105
Total 2005 Series A Bonds	10,582	12,205
2004 Series A Revenue Bonds (original principal of $43,270)		
Serial bonds, maturing from 2005 to 2029, with annual principal payments from $335 to $5,080 and coupon interest rates from 2.0% to 5.0%. Issued to partially refund the 1998A and 2000A Series Revenue Bonds and to provide funding for capital projects.	-	9,960
4.25% Term Bonds, due March 1, 2034	6,410	6,410
Add: unamortized premium	114	231
Total 2004 Series A Bonds	6,524	16,601

	2014	Restated 2013
University of Maine Foundation		
Note payable, drawn against $300 line of credit, unsecured, semi-annual payments of $3, including interest at 3.67%, matures 2013	$ -	$ 3
Note payable, secured by equipment, matures 2019, with annual payments of $75, including interest at 3.94%.	342	371
State of Maine Department of Defense, Veterans and Emergency Management		
Note payable, matures 2015, secured by real estate, with annual payments of $30, including imputed interest of 2.9%.	29	57
Total bonds and notes payable, net	$ 164,352	$ 182,065
Total par value of outstanding bonds and notes payable	$ 153,681	$ 169,666
Total unamortized premiums and discounts	10,671	12,399
Total bonds and notes payable, net	$ 164,352	$ 182,065

Costs associated with the issuance of revenue bonds have been expensed as incurred and included in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Premiums, discounts, and deferred amounts on refunding are being amortized over the life of the respective bond issuances as part of interest expense using the effective interest method.

Principal and interest payments on bonds and notes payable for the next five years and in subsequent five-year periods are as follows at June 30, 2014:

Year Ending June 30:	Principal	Interest	Total
2015	$ 7,599	$ 6,662	$ 14,261
2016	7,694	6,333	14,027
2017	7,993	5,972	13,965
2018	8,984	5,597	14,581
2019	8,495	5,179	13,674
2020-2024	41,620	20,135	61,755
2025-2029	35,105	11,608	46,713
2030-2034	32,055	4,285	36,340
2035-2037	4,136	242	4,378
	$ 153,681	$ 66,013	$ 219,694

Interest costs related to the revenue bonds for FY14 and FY13 were $5,620 and $7,164, respectively.

Refunding of Debt – FY13

On May 23, 2013, the System issued $65,255 of 2013 Series A Revenue Bonds to currently refund $10,760 of 2003 and 2000 Series A Revenue Bonds and to advance refund a total of $61,270 of 2005 and 2004 Series A Revenue Bonds. The System completed the refunding to reduce its total debt service payments over the following twenty-two years by $10,477 and to obtain economic gain (difference between the present values of the old and new debt service payments) of $7,547. The principal amount of debt refunded through in-substance defeasance was $72,030. The amount still outstanding at June 30, 2014 and 2013 was $48,345 and $61,270, respectively.

Refunding bond proceeds of $76,962 were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective maturity dates which range from FY13 to FY15. The escrow is invested to yield enough earnings to pay required future payments, which are $50,579 and $66,268 as of June 30, 2014 and 2013, respectively.

The FY13 refunding resulted in a deferred amount on refunding of $3,914 which represents the difference between the reacquisition price and the carrying value of the refunded bonds. Amortization of this deferred amount on refunding will be charged to operations as additional interest expense through the year FY35. The unamortized portion of the deferred amount on refunding, which is $3,704 and $3,898 as of June 30, 2014 and 2013, respectively, is included in deferred outflows in the accompanying Statements of Net Position.

8. UNEXPENDED GRANTS

Generally, grants and contracts awarded to the System, but for which it has not fulfilled the eligibility requirements (e.g., incur allowable costs) are not included in the System's financial statements. The total of such awards as of June 30, 2014 and 2013 was $43,838 and $40,477, respectively.

In certain circumstances, however, the System receives cash in advance of fulfilling its obligations. In such situations the System reports the cash as an asset and reports an offsetting unearned revenue liability in the Statements of Net Position. The System's outstanding advances as of June 30, 2014 and 2013 totaled $3,139 and $4,183, respectively.

9. GOVERNMENT ADVANCES REFUNDABLE

The System participates in the Federal Perkins Loan and Nursing Loan Programs. These programs are funded through a combination of Federal and Institutional resources. The portion of these programs that has been funded with Federal funds is ultimately refundable to the U.S. Government upon the termination of the System's participation in the programs. The portion that would be refundable if the programs were terminated as of June 30, 2014 and 2013 has been included in the accompanying Statements of Net Position as a noncurrent liability.

10. NET POSITION

The System's net position is composed of the following as of June 30:

	2014	Restated 2013
Net investment in capital assets	$ 531,654	$ 511,107
Restricted - Nonexpendable:		
Endowment funds	56,945	56,187
Restricted - Expendable:		
Student financial aid	45,985	36,927
Capital assets and retirement of debt	4,657	10,589
Loans	14,766	14,153
Academic support	12,792	11,074
Research and public service	8,496	7,290
Library	3,074	2,569
Other	19,806	17,353
Total restricted - expendable	109,576	99,955
Unrestricted:		
Educational and general reserves	59,944	57,740
Risk management	2,781	3,088
Budget stabilization	21,000	15,000
Auxiliary enterprises	15,478	15,164
Benefit pool carryover	24,906	20,511
Information technology initiatives	3,230	3,585
Internally designated projects	13,853	15,924
Facility projects	25,902	35,700
Endowment earnings	15,619	13,753
Cost sharing and other	(3,551)	2,754
Total unrestricted	179,162	183,219
Total net position	$ 877,337	$ 850,468

11. COMMITMENTS AND CONTINGENCIES

a. Grant Program Involvement

The System participates in a number of federal programs subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the System does not expect these amounts, if any, to be material to the financial statements.

b. Risk Management – Insurance Programs

The System is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries; environmental pollution and natural disasters. The System manages these risks through a combination of commercial insurance policies purchased in the name of the System, a self-insurance program for workers' compensation claims, and a retention program for physical damage to vehicles and mobile equipment.

The System's annual retention obligation for general liability is capped at $400 per claim, plus a $10 per claim deductible once the retention obligation is met. Educator's legal liability risks are subject to a $150 per loss retention with no annual cap. The System's estimate of the amount payable under these retention levels has been included in the accompanying Statements of Net Position as part of current accrued liabilities. As of June 30, 2014 and 2013 certain legal claims existed for which the probability or amount of payment could not be determined. The System, however, does not expect these amounts, if any, to be material to the financial statements.

It is the policy of the System not to purchase primary commercial insurance for the risk of loss related to workers' compensation. Instead, the System's management believes it is more economical to manage its risk internally and to set aside assets for claims settlement. The liability for unpaid claims is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The System's estimated liability at June 30, 2014 and 2013 of $4,052 and $4,381, respectively, for workers' compensation claims is included in accrued liabilities in the accompanying Statements of Net Position (see Note 7). The System purchases commercial specific and aggregate excess workers' compensation insurance which limits the exposure for any one incident to $1,000 and provides coverage in the event that total claims exceed expectations.

The System's active employee and under age 65 retiree health plans are self-funded with an Administrative Services Only (ASO) agreement with a commercial carrier. The System's Medicare eligible retiree health plan is a fully insured Medicare Advantage Private Fee for Service program with a commercial carrier. Both contracts are in effect from January 1 through December 31, 2014. As of June 30, 2014 and 2013, the estimated liability for claims incurred but not reported is included in total health insurance accrued liabilities in the accompanying Statements of Net Position (see Note 7). The System purchases stop-loss insurance which limits the exposure to $1,000 per individual.

The System's health insurance liability for the years ended June 30 consists of the following:

	2014	2013
Claims incurred but not reported	$ 6,311	$ 5,251
Reported claims	975	1,003
Total health insurance liability - Note 7	$ 7,286	$ 6,254

The System continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. PASS THROUGH GRANTS

During FY14 and FY13, the System distributed $144,931 and $149,486, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

13. PENSION PLANS

The System has several single-employer pension plans, each of which is described in more detail below. The System's pension expense for each of these plans was as follows for the years ended June 30:

	2014	2013
Faculty and Professional Employees:		
Contributory Retirement Plan	$ 20,318	$ 19,806
Incentive Plan	2,381	2,467
Hourly Employees:		
Basic Retirement Plan	3,534	3,611
Defined Benefit Plan	1,027	305
Total net pension expense	$ 27,260	$ 26,189

Faculty and Professional Employee Plans

Contributory Retirement Plan

Eligible salaried employees participate in the University of Maine System Retirement Plan for Faculty and Professional Employees (Contributory Plan), a defined contribution retirement plan administered by the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF). The Board of Trustees and collective bargaining agreements establish mandatory employee and employer contribution rates.

All full-time employees are eligible once employment begins. Part-time employees are eligible upon achieving the equivalent of five years of continuous, full-time, regular service. All eligible employees are required to participate when they reach thirty years of age. The System contributes an amount equal to 10% of each participant's base salary, and each participant contributes 4% of base salary. Participants may make additional voluntary contributions up to allowable limits. The System implemented a five year vesting schedule for the employer matching contribution for certain salaried employees hired on or after January 1, 2010. Employees hired before January 1, 2010 were fully and immediately vested in the employer

matching contribution. All participant contributions are fully and immediately vested. Prior to June 1, 2014, participants had the option to direct up to 100% of existing accumulations and/or current contributions to selected investment vehicles outside of TIAA-CREF. As of June 1, 2014, all future contributions are directed to TIAA-CREF as the sole record-keeper. Upon separation from the System, participants may withdraw up to 100% of their vested account balances, or transfer funds to other investment alternatives subject to Internal Revenue Service limitations and the contractual provisions of the Contributory Plan.

Employee contributions made to the Contributory Plan were $8,129 in FY14 and $7,918 in FY13.

Incentive Retirement Plan

The Incentive Retirement Plan is a single employer plan administered by the System. The Plan does not issue standalone financial statements.

Represented faculty who were employed before July 1, 1996 and other professional employees who were employed before July 1, 2006, participate in the University of Maine System Incentive Retirement Plan (Incentive Plan), a defined benefit plan, which was established on July 1, 1975. The Board of Trustees has authority to establish and amend provisions under the Incentive Plan subject to collective bargaining.

The Incentive Plan provides that eligible retiring employees with at least 10 years of continuous regular service immediately prior to retirement will receive a benefit equivalent to 1½% times their completed years of service times their final annual base salary (up to a maximum of 27 years). This amount is to be paid as a lump-sum contribution to the participant's retirement account. Employees do not make contributions under the Incentive Plan. Employees enrolled in the Contributory Plan may elect to retire at any age after 55.

The Incentive Plan, which is funded on a termination basis (i.e., when costs become due and payable), holds no assets. An actuarial valuation, utilizing the projected unit credit actuarial cost method and 30-year declining-open period, level dollar amortization, was performed as of July 1, 2013. Interest was assumed to compound at an annual rate of 4.25% and salaries were assumed to increase at an annual rate of 3.5%. The mortality assumptions as prescribed under §430(h)(3)(A) of the Internal Revenue Code using 2013 static tables, with separate mortality rates for annuitants and nonannuitants, was utilized for all participants.

As of July 1, 2013, the most recent actuarial valuation, the actuarial accrued liability for benefits was $28,900 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $28,900 which results in a funded ratio of 0%. The covered payroll (annual payroll of active employees covered by the plan) was $109,224 and the ratio of the UAAL to the covered payroll was 26.5%.

The net pension obligation (NPO), as shown in the following table, represents the cumulative difference between annual pension cost and employer contributions to the plan. The NPO is included in the accompanying Statements of Net Position in noncurrent accrued liabilities (see other employee benefit programs in Note 7). Three-year trend information through June 30, 2014, including changes in the NPO, was as follows:

Fiscal Year Ended June 30	(a) Annual Required Contribution (ARC)	(b) Interest on NPO	(c) ARC Adjustment	(d) (a)+(b)-(c) Annual Pension Cost (APC)	(e) Employer Contributions Made	(f) (e)/(d) Percentage of APC Contributed	(g) (d)-(e) Change in NPO	Ending NPO Balance
2014	$ 3,591	$ 957	$ 2,167	$ 2,381	$ 2,011	84%	$ 370	$22,880
2013	$ 3,387	$ 1,089	$ 2,009	$ 2,467	$ 1,730	70%	$ 737	$22,510
2012	$ 3,387	$ 1,027	$ 1,895	$ 2,519	$ 1,294	51%	$ 1,225	$21,773

Classified Employees

Basic Retirement Plan

The Basic Retirement Plan is a single employer plan administered by the System. The Plan does not issue standalone financial statements. The Defined Contribution Program of the Basic Retirement Plan for Classified Employees (Basic Plan) was created on July 1, 1998 in accordance with Section 403(b) of the Internal Revenue Code. Classified employees hired July 1, 1998 or later participate in the Basic Plan.

Eligible employees who were hired before July 1, 1998 and aged 50 or older on June 30, 1998 could elect to roll over to the Basic Plan the value of their accrued benefit in the Defined Benefit Retirement Plan for Classified Staff (Defined Benefit Plan, as described further below) or remain in the Defined Benefit Plan. Most eligible employees who were younger than age 50 as of June 30, 1998 chose to roll over the value of their accrued benefit to the Basic Plan.

Full-time employees are eligible to participate in the Basic Plan once employment begins. Part-time employees are eligible once they have achieved the equivalent of five years of continuous, full-time regular service. Prior to June 1, 2014, participants had the option to direct up to 100% of existing accumulations and/or current contributions to selected investment vehicles outside of TIAA-CREF. As of June 1, 2014, all future contributions are directed to TIAA-CREF as the sole record-keeper.

Employees hired prior to July 1, 1998 and who have more than five years of completed service may voluntarily contribute up to 4% of base pay and receive a 100% match from the System. Employees hired July 1, 1998 or later are required to contribute 1% and may contribute up to 4% of base pay to the Basic Plan. Contributions are matched 100% by the System. In addition, if these employees have four or more years of completed service and do not participate in the Defined Benefit Plan, they automatically receive System contributions equal to 6% of their base pay.

The System implemented a four year vesting schedule for the employer matching contribution for classified employees hired on or after January 1, 2010 and, on January 1, 2013, implemented a five year vesting schedule. Employees hired before January 1, 2010 were fully and immediately

vested in the employer matching contribution. All participant contributions are fully and immediately vested.

Upon separation from the System, participants may withdraw up to 100% of their vested account balances, or transfer funds to other investment alternatives subject to Internal Revenue Service limitations and the contractual provisions of the Basic Plan.

Employee contributions made to the Basic Plan were $1,461 in FY14 and $1,487 in FY13.

Defined Benefit Plan

The Defined Benefit Plan is a single employer plan administered by the System. The Plan does not issue standalone financial statements. The Defined Benefit Plan is maintained for eligible employees who chose not to join the Basic Plan. Normal retirement benefits are paid to participants who attain age 65 and retire. The monthly retirement benefit is based on a formula specified by policy in collective bargaining agreements.

Early retirement benefits are paid to participants who retire upon the attainment of age 55 and who have completed five years of continuous service. The benefit is computed in accordance with the normal retirement benefit, but is reduced by an actuarial factor because benefits will be paid over a longer period of time. No reduction is made if an employee retires after attaining 62 years of age with 25 or more years of service. Participants are also eligible for disability and death benefits.

Employees who participate in the Defined Benefit Plan may also participate in the Optional Retirement Savings Plan (ORSP). The ORSP is a voluntary, employee-funded defined contribution plan. Employees may contribute up to 4% of their base pay and receive a 100% match from the System. The ORSP is administered by TIAA-CREF.

The Defined Benefit Plan funds benefit payments and related costs from assets invested in a diversified portfolio of investments following parameters identified in the investment guidelines approved by the Investment Committee of the Board of Trustees. At June 30, 2014 and 2013 the value of these assets was less than the Defined Benefit Plan's actuarial accrued liability. The Defined Benefit Plan is a separate trust; therefore, its assets and liabilities are not included in the accompanying financial statements. The actuarial accrued liability is a standardized measure representing the actuarial present value of credited projected pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future, as a result of employee service rendered to date.

An actuarial valuation was performed as of July 1, 2013. The following methods and assumptions were used for those valuations:

Actuarial cost method	Projected Unit Credit
Amortization method	10-year open period level dollar
Asset Valuation method	5-year smoothing of differences between actual and expected returns

Actuarial Assumptions:

Investment rate of return/discount rate	7.25%
Projected salary increases	3.5%
Mortality rates – Healthy participants	As prescribed under §430(h)(3)(A) of the Internal Revenue Code using 2013 static tables with separate mortality rates for annuitants and nonannuitants
Mortality rates – Disabled participants	Disabled tables prescribed for 412(l) purposes under Revenue Ruling 96-7

As of July 1, 2013, the most recent actuarial valuation, the actuarial accrued liability for benefits was $45,132 and the actuarial value of assets was $38,139 resulting in a UAAL of $6,993 which results in a funded ratio of 84.5%. The covered payroll (annual payroll of active employees covered by the plan) was $692 and the ratio of the UAAL to the covered payroll was 1010.5%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Funding of Basic and Defined Benefit Plans

While the Basic Plan and Defined Benefit Plan are administratively separate, they are both part of the Retirement Plan for Classified Employees and are covered by the same plan document. In accordance with Section 414(k) of the Internal Revenue Code, the System may elect to fund employer contributions to the Basic Plan and ORSP from any excess assets in the Defined Benefit Plan, subject to certain limitations.

The NPO balance of the Defined Benefit Plan at transition was zero, since all actuarially determined required contributions were made by the System prior to that date. Annual required contributions and other metrics, shown in the following table, accordingly reflect the funded status of the Defined Benefit Plan, as well as expected benefits attributable to the Basic Plan and ORSP. During FY14, the System adopted a funding strategy for the Defined Benefit Plan which follows a long-term contribution schedule, such that a level annual dollar amount will be contributed to the plan indefinitely, while never allowing the plan's assets to be depleted.

Three-year trend information through June 30, 2014, including changes in the NPO, was as follows:

Fiscal Year Ended June 30	(a) Annual Required Contribution (ARC)	(b) Interest on NPO	(c) ARC Adjustment	(d) (a)+(b)-(c) Annual Pension Cost (APC)	(e) Employer Contributions Made	(f) (e)/(d) Percentage of APC Contributed	(g) (d)-(e) Change in NPO	Ending NPO Balance
2014	$ 1,121	$ 96	$ 190	$ 1,027	$ 550	54%	$ 477	$ 1,800
2013	$ 377	$ 74	$ 146	$ 305	$ -	0%	$ 305	$ 1,323
2012	$ 377	$ 50	$ 99	$ 328	$ -	0%	$ 328	$ 1,018

As of June 30, 2014 and 2013 the NPO is included in the accompanying Statement of Net Position as part of the noncurrent portion of accrued liabilities.

14. POSTEMPLOYMENT HEALTH PLAN

The System follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the System to account for other postemployment benefits (OPEB), primarily health care, on an accrual basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Position when future retirees earn their postemployment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund its actuarially required contribution, a postemployment benefit liability is recognized in the Statement of Net Position over time.

The System provides postemployment health insurance to retirees meeting certain age and years-of-service requirements. The Postemployment Health Plan is a defined benefit, single employer plan, administered by the System. The Plan does not produce standalone financial statements. The Board of Trustees has authority to establish and amend provisions under the Plan. As of June 30, 2014 and 2013, there were approximately 6,822 and 6,957 persons, respectively, covered by the System's postemployment health plan.

The System subsidizes the cost of insurance for the following persons:

- Retired from the System with at least 10 years of full-time regular service and have reached age 65 or
- Former employees approved for long-term disability benefits regardless of age or service.

The subsidy for those meeting the above requirements is 100% of the cost for the retiree and 50% of the costs for eligible dependents; however, the subsidy for employees who retire on or after July 1, 2010 is reduced to 93%, 90%, or 85%, of the individual health premium, depending on the employee's years of System service. As of June 30, 2014 and 2013, there were approximately 1,910 and 1,830 persons, respectively, receiving a subsidy from the System.

With certain restrictions, dependents are eligible to continue coverage at the 50% rate after the death of a retiree meeting the above criteria.

Persons who are retired from the System with at least 10 years of full-time regular service and have reached age 55 but are under age 65 may also participate in the System's health insurance plan after retirement; however, they must pay 100% of the cost for themselves and their dependents. As of June 30, 2014 and 2013, there were 54 and 77 persons, respectively, participating in the plan but not receiving a subsidy from the System.

Health insurance coverage for eligible persons is provided as part of the System's regular health insurance contract. Persons eligible for a subsidy from the System may not convert their benefit into an in-lieu of payment to secure coverage under independent plans.

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

The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation for the years ended June 30:

Fiscal Year Ended June 30	(a) Annual Required Contribution (ARC)	(b) Interest on OPEB Obligation	(c) ARC Adjust-ment	(d) (a)+(b)-(c) Annual OPEB Cost	(e) Employer Contributions Made	(f) (e)/(d) Percentage of Annual OPEB Cost Contributed	(g) (d)-(e) Change in Net OPEB Obligation	Net OPEB Obligation/ (Asset) Balance
2014	$ 13,052	$ -	$ -	$ 13,052	$ 18,083	139%	$ (5,031)	$ (2,522)
2013	$ 16,327	$ -	$ -	$ 16,327	$ 20,835	128%	$ (4,508)	$ 2,509
2012	$ 15,262	$ -	$ -	$ 15,262	$ 11,583	76%	$ 3,679	$ 7,017

Employer contributions made are comprised of the following:

	Pay-as-you-go	(OPEB) Irrevocable Trust	Total Employer Contributions
2014	$ 8,573	$ 9,510	$ 18,083
2013	$ 7,817	$ 13,018	$ 20,835
2012	$ 8,245	$ 3,338	$ 11,583

The net OPEB asset of $2,522 at June 30, 2014 is included in the accompanying Statements of Net Position as part of the current portion of accounts, grants, and pledges receivable. The net OPEB obligation of $2,509 at June 30, 2013 is included in the accompanying Statements of Net Position as a current accrued liability. The Other Postemployment Benefits Trust pools its assets with the System's endowment investments and follows the investment guidelines described in Note 3 of these financial statements.

As of July 1, 2013, the most recent actuarial valuation, the actuarial accrued liability for benefits was $163,893 and the actuarial value of assets was $73,042 resulting in UAAL of $90,851 which results in a funded ratio of 44.6%. The covered payroll (annual payroll of active employees covered by the Plan) was $244,938 and the ratio of the UAAL to the covered payroll was 37.1%.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as the actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2013 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return/discount rate (net of administrative expenses), which is the rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 8% initially, decreasing to an ultimate rate of 5% after four years. The actuarial value of assets is based on their fair value at July 1, 2013. After the Trust, which was established in FY09, has been in existence for 5 years, the actuarial value of assets will be determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized on a level dollar basis over an open thirty year period.

15. COMPONENT UNITS

The System is supported in part by several foundations and alumni associations that raise funds on the System's behalf. The System determined that one of those entities, the University of Maine Foundation ("the Foundation"), meets the criteria set forth under GASB Statement No. 61 for inclusion as a discretely presented component unit of the System.

The Foundation is a legally separate, tax-exempt organization, which acts primarily as a fund-raising organization to supplement the resources that are available to the System in support of its programs. The Board of Directors of the Foundation is self-perpetuating and independent of the System's Board of Trustees. Although the System does not control the timing or amount of receipts from the Foundation, the Foundation holds and invests resources almost entirely for the System's benefit (specifically the University of Maine); the System is entitled to access a majority of the economic resources held; and the economic resources held are "significant to the System" based on a 5% of net position threshold. The Foundation has accordingly been discretely presented as a component unit of the System in the accompanying financial statements as of and for the years ended June 30, 2014 and 2013, and is reported in separate financial statements as the Foundation reports its financial results under Financial Accounting Standards Board standards rather than GASB standards.

Long-term investments, endowment comprised 86% and 84% of the Foundation's total assets as of June 30, 2014 and 2013, respectively. Remaining disclosures in this note relate to this asset group.

Long-term investments, endowment

The Foundation maintains a general pool of investments for its endowments. These investment securities are stated at fair value based on quoted market prices within active markets. The fair values of alternative investments are determined from information supplied by the investment managers based on the market values of underlying investments on a net asset value basis. Investment income is reflected in the statement of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor -imposed restrictions.

The Foundation has established a specific set of investment objectives and guidelines for investment managers that attempt to provide a predictable stream of income while seeking to maintain the purchasing power of the endowment assets over the long-term. The investment policy establishes an achievable return objective and seeks to manage risk through diversification of asset classes. The current long-term return objective is to return 8.3% in 2014 and 10% in 2013. Actual returns in any given year may vary from these amounts.

Endowment spending policy

The Foundation utilizes a spending policy for its pooled endowment in order to provide for the current and long-term needs of endowment recipients. The spending policy determines the endowment income to be distributed. For the years ended June 30, 2014 and 2013, the spending policy is 4½% of the average market value for the five previous years ending December 31. For permanent endowment, spending is contingent upon a fund's market value exceeding principal balances.

For the year beginning July 1, 2013, the Foundation adopted a prudent expenditure for funds with a market value below principal. Unless the donor has explicitly stated the principal is not expendable under any circumstances, a prudent expenditures of 2.25% will be distributed for funds less than ten percent below principal and 1% for funds ten percent or more below principal.

During the years ended June 30, 2014 and 2013, the Foundation distributed $9,960 and $5,388, respectively, to the System for both restricted and unrestricted purposes.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair vale measurement.

The following tables summarize the Foundation's long-term endowment investments by class in the fair value hierarchy as of June 30:

	2014				
	Level 1	Level 2	Level 3	Total	Liquidity
Total U.S. equities	$ 43,280	$ -	$ -	$ 43,280	Daily
Total non U.S. equities	61,275	-	-	61,275	Daily/Monthly
Total U.S. fixed Income	18,331	-	-	18,331	Daily
Total global fixed income	7,477	-	-	7,477	Daily
Total other equities	6,268	-	-	6,268	Daily
Total alternative investments	-	-	45,012	45,012	Monthly/ Quarterly/ Annually
Cash	7,508	-	-	7,508	Daily
Total long-term investments, endowment	$ 144,139	$ -	$ 45,012	$ 189,151	

	2013				
	Level 1	Level 2	Level 3	Total	Liquidity
Total U.S. equities	$ 26,254	$ -	$ -	$ 26,254	Daily
Total non U.S. equities	26,861	-	2,787	29,648	Daily/Monthly
Total U.S. fixed Income	1,600	-	-	1,600	Daily
Total alternative investments	4,735	-	26,214	30,949	Quarterly
Cash	74,384	-	-	74,384	Daily
Total long-term investments, endowment	$ 135,847	$ -	$ 29,001	$ 162,835	

Complete financial statements for the Foundation can be obtained from the Foundation's office at Two Alumni Place, Orono, ME 04469-5792.

16. PRIOR PERIOD ADJUSTMENT

The provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, are effective for periods beginning after December 15, 2012. The University adopted Statement No. 65 for its June 30, 2014 financial statements. The change represents a change from one generally accepted accounting principle to another generally accepted accounting principle that is the current preferred industry practice. Under Statement No. 65, bond issuance costs are classified as a current operating expense, rather than capitalized and recognized as an expense over the life of the associated bond. The FY13 financial statements have been restated to reflect retroactive application of this change in accounting principle.

The effect of the FY13 restatement was to reduce beginning net position, decrease change in net position and decrease ending net position by the following amounts:

Net Position – Beginning of year – As previously reported	$825,343
Cumulative adjustment to Net Position	(2,052)
Net Position – Beginning of year – As restated	823,291
FY13 Change in Net Position – As previously reported	27,864
FY13 effect on Change in Net Position	(687)
FY13 Change in Net Position – As restated	27,177
Net Position at June 30, 2013 – As restated	$850,468

The above restatement only affected the net investment in capital assets portion of net position, which decreased by $2,739.

University of Maine System

Required Supplemental Information – Retirement Plans

Schedules of Funding Progress and Employer Contributions

Year ended June 30, 2014

(Unaudited)

($ in thousands)

Schedules of Funding Progress

Actuarial valuation (date as of July 1)	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/(c)
Incentive Retirement Plan for Faculty and Professionals						
2013	$ —	$ 28,900	$ 28,900	—	$ 109,224	26.5%
2011	$ —	$ 27,120	$ 27,120	—	$ 119,334	22.7%
2009	$ —	$ 25,460	$ 25,460	—	$ 133,609	19.1%
Defined Benefit Retirement Plan for Classified Staff						
2013	$ 38,139	$ 45,132	$ 6,993	84.5%	$ 692	1010.5%
2011	$ 47,658	$ 49,214	$ 1,556	96.8%	$ 1,420	109.6%
2009	$ 44,477	$ 47,380	$ 2,903	93.9%	$ 3,340	86.9%
Postemployment Health Plan						
2013	$ 73,042	$ 163,893	$ 90,851	44.6%	$ 244,938	37.1%
2012	$ 52,800	$ 169,921	$ 117,121	31.1%	$ 234,720	49.9%
2011	$ 50,170	$ 160,336	$ 110,166	31.3%	$ 232,737	47.3%

Schedules of Employer Contributions

Year ended June 30	Annual required contribution	Percentage contributed	Annual required contribution	Percentage contributed
	Incentive Retirement Plan for Faculty and Professionals		Retirement Plan for Classified Staff	
2014	$ 3,591	56%	$ 1,121	49%
2013	$ 3,387	51%	$ 377	—
2012	$ 3,387	38%	$ 377	—

University of Maine System

Supplemental Information Required by the State of Maine

Schedules of Activities

($ in thousands)

Year Ended June 30, 2014

Functions/Programs	Expenses	Charges for Services	Program Investment Income	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue
University of Maine System	$ 680,655	$ 297,293	$ 13,836	$ 174,850	$ 7,403	$(187,273)

General Revenues:	
Unrestricted interest and investment earnings	13,081
Additions to endowments - gifts	880
State of Maine noncapital appropriation	198,263
State of Maine capital appropriation	1,918
Total Revenues and Extraordinary Items	214,142
Change in Net Position	26,869
Net Position, Beginning of Year - Restated	850,468
Net Position, End of Year	$ 877,337

Year Ended June 30, 2013
Restated

Functions/Programs	Expenses	Charges for Services	Program Investment Loss	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue
University of Maine System	$ 680,564	$ 302,502	$ 8,380	$ 177,154	$ 8,106	$(184,422)

General Revenues:	
Unrestricted interest and investment earnings	9,586
Additions to endowments - gifts	1,452
State of Maine noncapital appropriation	194,417
State of Maine capital appropriation	6,144
Total Revenues and Extraordinary Items	211,599
Change in Net Position	27,177
Net Position, Beginning of Year - Restated	823,291
Net Position, End of Year - Restated	$ 850,468

BerryDunn

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
University of Maine System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the University of Maine System (the System), a component unit of the State of Maine, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 17, 2014, which contained an unmodified opinion on those financial statements with an emphasis of a matter paragraph regarding the System's adoption of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The financial statements of the discretely presented component unit of the System were not audited in accordance with *Governmental Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance or other matters for the discretely presented component unit of the System.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Bangor, ME • Portland, ME • Manchester, NH • Charleston, WV
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
November 17, 2014

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of April __, 2015 (this "Disclosure Certificate") is executed and delivered by the University of Maine System (the "Issuer") in connection with the issuance of $48,450,000 University of Maine System Revenue Bonds, Series 2015 (the "Bonds"). The Bonds are being issued pursuant to Title 20-A, Part 5, Chapters 411 and 412, sections 10901 – 10965, inclusive, of the Maine Revised Statutes, as amended (the "Act") and a resolution of the Board of Trustees of the Issuer adopted July 21, 2014. The Issuer covenants and agrees as follows:

Section 1. Definitions. The following words and terms used in this Disclosure Certificate shall have the following respective meanings:

(a) "Annual Report" shall mean any Annual Report provided by the Issuer in accordance with the requirements of sections 3 and 4 of this Disclosure Certificate.

(b) "Fiscal Year" shall have the meaning ascribed to such term in the Bonds.

(c) "MSRB" shall mean the Municipal Securities Rulemaking Board.

(d) "Participating Underwriter" shall mean any original underwriter of the Bonds required to comply with the Rule in connection with any offering of the Bonds.

(e) "Rule" shall mean Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Disclosure Certificate, including any official interpretation thereof issued either before or after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate.

(f) "SEC" shall mean the United States Securities and Exchange Commission.

Any capitalized word or term used in this Disclosure Certificate and not otherwise defined herein shall have the meaning ascribed to such word or term in the Official Statement dated March 18, 2015 (the "Official Statement") pertaining to the Bonds.

Section 2. Purpose; Beneficiaries. This Disclosure Certificate is entered into solely to assist the Participating Underwriter in complying with subsection (b)(5) of the Rule. This Disclosure Certificate constitutes a written undertaking for the benefit of the beneficial owners (within the meaning of the Rule) of the Bonds (such beneficial owners being sometimes called herein "owners").

Section 3. Provision of Annual Reports. Not later than 180 days after the end of each Fiscal Year of the Issuer, commencing with its Fiscal Year ending June 30, 2015,

the Issuer shall deliver to the MSRB the Annual Report for such Fiscal Year, or in a timely manner notice of the Issuer's failure to provide the Annual Report. If the Annual Report does not contain the Issuer's audited financial statements for the Fiscal Year of the Annual Report, then the Issuer shall, in any event, deliver to the MSRB the Issuer's audited financial statements no later than 240 days after the end of its Fiscal Year, or notice of the Issuer's failure to provide such audited financial statements.

Section 4. Content of Annual Reports. The Annual Report shall contain (i) the audited financial statements of the Issuer for the applicable Fiscal Year if audited financial statements are then available, and (ii) financial information and operating data for the applicable Fiscal Year consisting of (A) enrollment information for the Issuer, (B) information regarding tuition and room and board fees charged by the Issuer, (C) information regarding financial assistance provided to students through the Issuer and (D) information regarding the number of faculty members and other employees of the Issuer.

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Issuer, which have been submitted to the MSRB. If the document incorporated by reference is a "final official statement" which satisfies the requirements of the Rule, it will also be available from the MSRB. The Issuer's annual financial statements for each Fiscal Year shall be prepared in accordance with generally accepted accounting principles. Such financial statements shall be audited by a firm of certified public accountants appointed by the Issuer.

Section 5. Reporting of Significant Events. Whenever the Issuer obtains knowledge of the occurrence of any of the following listed events with respect to the Bonds, the Issuer shall file notice of such occurrence in a timely manner not in excess of nine (9) business days with the MSRB:

(i) principal and interest payment delinquencies;

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

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

(iv) unscheduled draws on credit enhancements reflecting financial difficulties*;

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

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt 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*;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer (provided that for the purposes of this clause, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, 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 Issuer);

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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 of name of a trustee, if material*.

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*Not applicable to the Bonds.

Section 6. Additional Information. This Disclosure Certificate shall not be construed to prevent the Issuer from providing any information in addition to that which is specifically required by sections 3, 4 and 5 of this Disclosure Certificate ("Additional Information"), using the means of dissemination set forth in this Disclosure Certificate or any means of communication in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to provide any Additional Information, the Issuer shall have no obligation in the future to update the Additional Information or to provide information similar to the Additional Information.

Section 7. Enforceability of This Disclosure Certificate; Termination. To the extent permitted by law, the provisions of this Disclosure Certificate are enforceable against the Issuer in accordance with the terms hereof by any of the owners of the Bonds, including any beneficial owner acting as a third party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer of the Issuer). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, to enforce its rights against the Issuer and to compel the Issuer and any of their officers, agents or employees to perform and carry out their duties under the provisions of this Disclosure Certificate; provided, however, that the sole remedy for a violation of this Disclosure Certificate shall be an action to compel specific performance of the obligations of the Issuer under this Disclosure Certificate and

shall not include any right to monetary damages. A breach or default under this Disclosure Certificate shall not constitute an Event of Default under the Bonds. This Disclosure Certificate shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first.

Section 8. Amendments. This Disclosure Certificate may be amended, changed or modified by the parties hereto, without the consent of, or notice to, any of the owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add to the covenants of the Issuer for the benefit of the owners of the Bonds, (c) to modify the contents, presentation and format of the Annual Report from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (d) to otherwise modify the undertaking of the Issuer in this Disclosure Certificate in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (c) or (d), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as the firm serving at the time as bond counsel to the Issuer) or by the vote or consent of the registered owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment, which consent may be obtained in accordance with the Bonds. Any amendment, change or modification to this Disclosure Certificate shall be in writing.

If this Disclosure Certificate is amended with respect to the Annual Report to be submitted by the Issuer hereunder, the Annual Report containing the amended financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information being provided. If this Disclosure Certificate is amended with respect to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and the financial statements or information prepared on the basis of the former accounting principles. Such comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison will also be quantitative. The Issuer shall give notice of any change in the accounting principles to the MSRB as promptly as practicable after such change has been determined.

Section 9. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Maine and applicable law of the United States of America.

Section 10. Titles of Sections. The titles of sections in this Disclosure Certificate shall have no effect in construing this Disclosure Certificate.

Section 11. Actions to be Performed on Non-Business Days. Any action required by this Disclosure Certificate to be taken on a Saturday, Sunday or holiday within the State of Maine may be taken on the next business day with the same force and effect as if taken on the day so required.

Section 12. No Previous Non-Compliance. The Issuer represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of Rule 15c2-12.

Signed as of the date first written above.

UNIVERSITY OF MAINE SYSTEM

By: _____
Rebecca M. Wyke
Vice Chancellor for Finance and
Administration and Treasurer

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APPENDIX F

OFFICIAL NOTICE OF SALE

$47,155,000*
University of Maine System
Revenue Bonds
Series 2015
(Book-Entry-Only)

NOTICE IS HEREBY GIVEN that electronic (as explained below) bids will be received by the University of Maine System (the "System") for the purchase of all (but not less than all) of the System's $47,155,000* Revenue Bonds, Series 2015 (the "Series 2015 Bonds"). The bids will be received up to the time (unless postponed as described herein) and in the manner described below:

Bid Date and Time

Thursday, March 18, 2015 (the "Bid Date"), 10:30 a.m., Eastern Daylight Time ("EDT"). For the purposes of the electronic bid, the time maintained by ParityDalcomp, which has been approved by the System as the provider of electronic bidding services ("Parity"), shall constitute the official time.

Electronic Bids

Bids shall be submitted electronically through Parity in accordance with its Rules of Participation and the Official Notice of Sale until 10:30 a.m., EDT, but no bid will be received after the time for receiving bids specified above. In the event of a conflict between the Official Notice of Sale and any information provided by Parity, including the Parity Rules of Participation, the Official Notice of Sale shall control. In the event of a malfunction in the electronic bidding process, the bid time, the bid date or both may be postponed at the option of the System. See instructions under "Form of Bid; Electronic Bids" below. For further information about Parity, any prospective bidder may contact the System's financial advisor, Public Financial Management, Inc. ("PFM"), or Parity Customer Support as follows:

Public Financial Management, Inc.
99 Summer St., Suite 1020
Boston, MA 02110
Attn: Jeremy Bass
TEL: (617) 330-6914
Email: bassj@pfm.com

Parity Customer Support
1359 Broadway, 2nd Floor
New York, NY 10018
Telephone (212) 849-5021

Right to Modify or Amend Notice of Sale; Right to Postpone Bid Date

The System reserves the right to modify the Official Notice of Sale, including changing the scheduled maturities or increasing or reducing the aggregate principal amount of the Series 2015 Bonds and the principal amount of any maturity offered for sale, prior to the Bid Date. If any modification occurs, supplemental information with respect to the Series 2015 Bonds will be communicated through TM3 (www.tm3.com) ("TM3") not later than 5:00 p.m., EDT, on the day preceding the Bid Date and bidders shall bid upon the Series 2015 Bonds based upon the terms thereof set forth in the modified Official Notice of Sale. If any prospective bidder does not subscribe to TM3, please call PFM to make arrangements to obtain notice of any modification of the Official Notice of Sale prior to 5:00 p.m., EDT, on the day preceding the Bid Date. The term "Official Notice of Sale" means and includes this Official Notice of Sale as modified in any communication through TM3 or through any such other arrangements.

In addition, the System reserves the right to postpone the Bid Date. In the event of a postponement, the new Bid Date and time and any revised date of expected delivery will be announced through TM3 not later than 9:30 a.m., EDT, on the day on which bids may be submitted. As stated above,

* *Preliminary, subject to change.*

if any prospective bidder does not subscribe to TM3, such bidder should contact PFM to make other arrangements to obtain notice of any modification of the Official Notice of Sale. On any such alternative Bid Date, bidders may submit bids for the purchase of the Series 2015 Bonds in conformity with the Official Notice of Sale.

Information Pertaining to the Series 2015 Bonds

The Official Notice of Sale sets forth only a brief summary of certain provisions of the Series 2015 Bonds. For additional information pertaining to the Series 2015 Bonds, a prospective bidder should refer to the System's Preliminary Official Statement with respect to the Bonds dated March 10, 2015 (the "Preliminary Official Statement"). In the event of any conflict between the Preliminary Official Statement and the Official Notice of Sale, other than conflicts related changes to scheduled maturities or the aggregate principal amount of the Series 2015 Bonds as more fully described herein, the Preliminary Official Statement shall control.

Authorization

The Series 2015 Bonds will be issued by the System pursuant to the Maine Revised Statutes, Title 20-A, chapters 411 and 412, as amended from time to time (the "Act") and a resolution adopted on July 21, 2014 (the "Bond Resolution") by the Board of Trustees of the System. Proceeds from the sale of the Series 2015 Bonds, together with certain other funds of the System, will be used (i) to pay costs of certain System projects, (ii) to refund certain revenue bonds previously issued by the System and (iii) to pay certain expenses incurred in connection with the issuance of the Series 2015 Bonds.

Outstanding Bonds

The System has previously issued twelve series of its revenue bonds of which $145,820,000 principal amount will be outstanding immediately prior to the issuance of the Series 2015 Bonds (the "Outstanding Bonds"). The Series 2015 Bonds and the Outstanding Bonds are payable from revenues of the System.

Book-Entry-Only Form

The Series 2015 Bonds will be issued in book-entry-only form, initially registered in the name of Cede & Co., as partnership nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests in the Series 2015 Bonds. Individual purchases will be in the principal amount of $5,000 and multiples thereof. Payments of principal, interest and redemption premium, if any, will be made by the System to DTC for subsequent disbursement by DTC.

Serial Bonds and/or Term Bonds

Bidders may provide that all of the Series 2015 Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds. Any number of term bonds may be designated, but each term bond must bear a single rate of interest. Within one hour after the oral award of the Series 2015 Bonds, the successful bidder shall provide the System with the serial bond designations and with any two or more consecutive annual maturities bearing a single rate which the successful bidder proposes to combine into one or more term bonds.

Interest Payment Dates

The Series 2015 Bonds will be dated as of the date of their delivery and will bear interest from that date payable semiannually on each March 1 and September 1, commencing September 1, 2015, until maturity or redemption.

Maturity Schedule

The Series 2015 Bonds will be subject to principal amortization either through serial maturities or sinking fund redemptions or a combination thereof on March 1 in the years and in the amounts set forth below (the "Maturity Schedule"), subject to the adjustments described below.

Maturity or Sinking Fund Payment Date, March 1	Maturity or Sinking Fund Payment Amount*	Maturity or Sinking Fund Payment Date, March 1	Maturity or Sinking Fund Payment Amount*
2016	$2,040,000	2027	$2,870,000
2017	685,000	2028	2,995,000
2018	1,345,000	2029	2,615,000
2019	2,500,000	2030	3,690,000
2020	2,930,000	2031	2,995,000
2021	2,240,000	2032	3,110,000
2022	2,325,000	2033	1,585,000
2023	2,405,000	2034	1,665,000
2024	2,485,000	2035	425,000
2025	2,600,000	2036	445,000
2026	2,735,000	2037	470,000

Adjustment of Maturity Schedule

The System reserves the right to change the Maturity Schedule up until 5:00 p.m., EDT, on the day preceding the day on which bids may be submitted. Any revision of the Maturity Schedule will be communicated through TM3 or in accordance with arrangements timely made with PFM by a prospective bidder which does not subscribe to TM3.

The System reserves the right to change the Maturity Schedule or the revised Maturity Schedule after the oral award of the Series 2015 Bonds by increasing or decreasing the principal amount of each maturity by such amount as the System may determine. In such event, the final aggregate principal amount of the Series 2015 Bonds will be increased or decreased by the net amount of such change or changes in the principal amount of one or more maturities, which net change will not exceed fifteen percent (15%) of the original aggregate principal amount of the Series 2015 Bonds. The System expects that the final maturity schedule will be communicated to the successful bidder by 9:30 a.m., EDT on the day following the date of the oral award provided the System has received the reoffering prices and yields for the Series 2015 Bonds from the successful bidder, as described below under "Award, Delivery and Payment." The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Series 2015 Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount, any original issue discount and any original issue premium, but will not change the per-bond underwriter's discount as calculated from the bid and reoffering prices required to be delivered to the System as stated herein. The successful bidder may not withdraw its bid or change the interest rates bid or the initial reoffering prices as a result of any changes made to the principal amounts within these limits.

Mandatory Sinking Fund Redemption

If the successful bidder designates certain consecutive principal amounts bearing a single rate to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on March 1 of the first year which has been combined to form such term bond and continuing on March 1 in each year thereafter until the stated maturity date of such term bond. The amount redeemed in any year shall be equal to the amount otherwise maturing as a serial bond for such year set forth in the Maturity Schedule, as adjusted in accordance with the provisions described above under the caption "Adjustment of Maturity Schedule."

* *Preliminary, subject to change.*

Optional Redemption

On or after March 1, 2025, the Series 2015 Bonds with a stated maturity date on or after March 1, 2026 are subject to redemption at the option of the System, in whole at any time or in part at any time at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption.

Interest Rate, Maximum Discount and Maximum Premium

Bidders must specify a rate of interest for each maturity of the Series 2015 Bonds. The rates of interest must be expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) and no interest rate can exceed 5% per annum. All Series 2015 Bonds of the same maturity must bear the same rate of interest. The lowest dollar price per maturity may be no less than 98%.

Bidders may bid to purchase the Series 2015 Bonds from the System with or without a premium provided that no bid will be considered if the bid to purchase the Series 2015 Bonds is at an aggregate price less than 100% or more than 120% of the principal amount thereof.

Reoffering Price

The successful bidder will, within one hour after the oral award of the Series 2015 Bonds, advise the System of the initial public reoffering price of each maturity of the Series 2015 Bonds, expressed both as a stated amount and as a percentage of the principal amount of such maturity (each a "Reoffering Price").

Certificate Regarding Offering and Pricing of the Series 2015 Bonds

As of the date of delivery of the Series 2015 Bonds and as a condition precedent to the delivery of the Series 2015 Bonds by the System, the successful bidder shall furnish to the System a certificate acceptable to Preti, Flaherty, Beliveau, & Pachios, LLP, Bond Counsel to the System ("Bond Counsel") to the effect that (a) each maturity of the Series 2015 Bonds was the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers (collectively, "Wholesalers")) on the date of the written award of the Series 2015 Bonds to the successful bidder (the "Award Date") at the Reoffering Price for such maturity; (b) the successful bidder first sold not less than 10% of each maturity of the Series 2015 Bonds to the public (excluding Wholesalers) on the Award Date at prices not greater than the Reoffering Price for such maturity; (c) as to maturities, if any, to be specified in such certificate (each an "Excepted Maturity") for which there were insufficient sales to the public to make the certification in (b) for all maturities of the Series 2015 Bonds, the successful bidder reasonably expected as of the Award Date to sell each such Excepted Maturity at prices not greater than the Reoffering Price for such Excepted Maturity; (d) the successful bidder had no reason to believe as of the Award Date that any maturity of the Series 2015 Bonds would be sold to the public (excluding Wholesalers) at prices greater than the Reoffering Price for such maturity; and (e) the Reoffering Price for each maturity of the Series 2015 Bonds did not exceed the fair market value of such maturity as of the Award Date. The certificate shall also set forth the arbitrage yield on the Series 2015 Bonds. The certificate shall state that it is made on the best knowledge, information and belief of the successful bidder after appropriate investigation.

Form of Bid; Electronic Bids

A prospective bidder must submit its bid electronically through the facilities of Parity, in accordance with the Rules of Participation and other requirements of Parity. In order to submit an electronic bid through Parity, bidders must be contracted customers of Parity's Competitive Bidding System. If a prospective bidder does not have a contract with Parity, it should call (212) 849-5021 to become a customer.

Registration with Parity is required in order to submit an electronic bid, and the System will not confirm any registration and will not be responsible for any failure of a prospective bidder to register. By registering to bid for the Series 2015 Bonds, a prospective bidder is not obligated to submit a bid for the Series 2015 Bonds.

Further information about Parity, including qualification, registration, rules and any fee charged, may be obtained from Parity by calling Parity Customer Support at (212) 849-5021.

By submitting a bid for the Series 2015 Bonds, a prospective bidder represents and warrants to the System that such bidder's bid for the purchase of the Series 2015 Bonds (if a bid is submitted for the Series 2015 Bonds) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series 2015 Bonds. An electronic bid made through the facilities of Parity shall be deemed an unconditional and irrevocable offer, in response to the Official Notice of Sale, which shall be binding upon the bidder as if made by a signed, sealed bid delivered in tangible form to the System and which shall be a binding contractual obligation of the bidder, when and if accepted by the System. The System shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, Parity, the use of such facilities being at the sole risk of the prospective bidder.

Disclaimer for Electronic Bids

Each prospective bidder shall be solely responsible for registering to bid through Parity as described in Attachment A hereto and for obtaining any modification of the Official Notice of Sale. Each prospective bidder shall be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the System nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the System nor Parity shall be responsible for a bidder's failure to register to bid or for a bidder's use of Parity's services, or have any liability for any delay, interruption or damage caused by Parity or any other person. The System is using Parity as a communication mechanism, and not as the System's agent, to conduct the electronic bidding for the Series 2015 Bonds. The System is not bound by any advice or determination of Parity or any other person to the effect that any particular bid complies with the terms of the Official Notice of Sale. Any cost, expense or damage incurred by any prospective bidder in connection with its registration with, or bid through, Parity is the sole responsibility of such bidder and the System is not responsible, directly or indirectly, for any such cost, expense or damage. If a prospective bidder encounters any difficulty in registering to bid, or in submitting, modifying or withdrawing a bid, for the Series 2015 Bonds, it should telephone Parity and notify PFM by facsimile at (617) 951-2361 or by telephone at (617) 330-6914.

List of Members of Account

Bidders are requested to list on the Confirmation of Sale which is available upon request the names of the members of the account on whose behalf the bid is made.

Award, Delivery and Payment

It is expected that, if acceptable bids are received and unless all bids are rejected by the System, the Series 2015 Bonds will be awarded in writing to the highest bidder not later than 24 hours after the time established for the receipt of bids. The highest bidder shall be the bidder submitting the best price for the Series 2015 Bonds, which best price shall be that resulting in the lowest true interest cost. The true interest cost for the Series 2015 Bonds (expressed as an annual interest rate) will be that rate which, as of April 8, 2015, discounts semiannually all future principal and interest payments to the aggregate bid price. The true interest cost shall be based upon the principal amount of each maturity of the Series 2015 Bonds as set forth in the Maturity Schedule (such principal amounts may be modified with notification though TM3 or through individual communication with prospective bidders) and the bid price and interest rate set forth in each bid submitted in accordance with the Official Notice of Sale. It is requested that each bid be accompanied by a computation of such true interest cost to the System under the terms of the bid in accordance with the method of calculation described in this paragraph (computed to six decimal places), but such computation is not to be considered as part of the bid for the Series 2015 Bonds. In the event that two or more bidders have bid the same true interest cost (calculated to six decimal places), the Vice Chancellor for Finance and Administration and Treasurer of the System shall determine in her sole discretion which of the bidders shall be awarded the Series 2015 Bonds or she may determine in her sole discretion to award the Series 2015 Bonds in such proportions as she may determine to such two or more bidders.

The oral award of the Series 2015 Bonds is subject to written confirmation by the System. When the successful bidder has been ascertained, such bidder will be notified orally or by other means. Promptly thereafter, and if the bidder has not already done so, such bidder shall provide to the System the completed, signed Confirmation of Sale which is available upon request. Then the System will make the award in writing if the Confirmation of Sale conforms to the terms of the electronic bid and such oral award.

It is currently expected, subject to change, that delivery of the Series 2015 Bonds will be made to the successful bidder through the facilities of DTC in New York, New York on April 8, 2015. The successful bidder shall pay for the Series 2015 Bonds on the date of delivery in **IMMEDIATELY AVAILABLE FEDERAL FUNDS** by 10:00 a.m., EDT, on the date of delivery. Any expenses of providing immediately available funds shall be borne by the successful bidder. Payment on the delivery date shall be made in an amount equal to the price bid for the Series 2015 Bonds less the amount of the Good Faith Deposit.

Good Faith Deposit

The apparent successful bidder, as reported by Parity, shall provide to the System a good faith deposit in the amount of $480,000 for the winning bid on the Series 2015 Bonds (the "Good Faith Deposit"). The successful bidder shall provide the Good Faith Deposit by wire transfer directly to the System upon notification of the oral award, but in any case, no later than 4:00 p.m., EDT, on the date of the oral award. Wire instructions will be provided to the successful bidder upon notification of the oral award.

The written award will not be made until the System has confirmation of receipt of the Good Faith Deposit, and if the successful bidder fails to deliver the Good Faith Deposit by the designated time, the System will have the option to withdraw the oral award and the successful bidder shall be responsible to the System for all consequential damages arising from such withdrawal.

The Good Faith Deposit will be deposited by the System and applied to the purchase price of the Series 2015 Bonds. By submitting a bid for the Series 2015 Bonds, the bidder is acknowledging that, if the bidder becomes the successful bidder for the Series 2015 Bonds and fails to accept and pay for the Series 2015 Bonds on the date of delivery, the System will suffer actual damages, including increased costs of servicing its debt. The System and the successful bidder agree that such actual damages are difficult to compute as of the Award Date. The bidder therefore agrees that the Good Faith Deposit shall be retained by the System as and for full liquidated damages (the amount of which the System and the successful bidder agree is a reasonable estimate of such actual damages) for such failure and for any and all defaults, losses or damages hereunder on the part of the successful bidder, and thereupon all the System's claims and rights against the successful bidder shall be fully released and discharged, even though it may be subsequently determined that the System's actual damages are greater. No interest will be paid upon the Good Faith Deposit submitted by any bidder. If the aggregate principal amount of the Series 2015 Bonds is adjusted, as described under the caption "Adjustment of Maturity Schedule," the successful bidder will not be required to deposit an additional Good Faith Deposit and will not be entitled to the return of any portion of the Good Faith Deposit previously delivered.

Official Statement

The System has approved the Preliminary Official Statement, which the System has deemed final for the purpose of Rule 15c2-12 promulgated by the Securities and Exchange Commission, subject to the omissions permitted by paragraph (b)(1) of such Rule. Within seven business days after the Award Date, the System will provide the successful bidder such reasonable number of printed copies of the final Official Statement as such bidder may have requested from the System within one business day after the Award Date. Up to 100 copies of the final Official Statement will be furnished without cost to the successful bidder and additional copies, if desired, will be made available at the successful bidder's expense.

CUSIP Numbers

The successful bidder will at its expense obtain CUSIP numbers for the Series 2015 Bonds and provide those numbers to the System and Bond Counsel within one business day after the Award Date. It is currently expected that CUSIP numbers will be printed in the final Official Statement and on the Series 2015 Bonds, but the System will assume no obligation for the assignment or printing of such numbers or

for the correctness of such numbers, and neither the failure to print such numbers nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder of the Series 2015 Bonds to accept delivery of and make payment for the Series 2015 Bonds.

Documents to be Delivered as of and prior to the Date of Delivery of the Bonds

At or before 1:00 p.m., EDT, on the business day before the date of delivery of the Series 2015 Bonds, the System will deliver to the successful bidder (a) the opinion of Bond Counsel substantially in the form set forth as Appendix B to the Preliminary Official Statement, (b) a certificate executed on behalf of the System to the effect that nothing has come to the System's attention which would cause the System to believe that the Official Statement (excluding any information pertaining to (i) the public offering prices or yields of the Bonds, (ii) The Depository Trust Company and Cede & Co., (iii) any bond insurer or its bond insurance policy, (iv) PFM or (v) the successful bidder and its purchase of the Series 2015 Bonds) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading and (c) the Continuing Disclosure Certificate executed on behalf of the System substantially in the proposed form set forth as Appendix E to the Preliminary Official Statement.

At or before 1:00 p.m., EDT, on the business day before the date of delivery of the Series 2015 Bonds, the successful bidder will deliver to the System and Bond Counsel, in form and substance acceptable to Bond Counsel, (a) a receipt for the Series 2015 Bonds executed on behalf of the successful bidder, (b) the certificate more fully described under the heading "Certificate Regarding Offering and Pricing of the Series 2015 Bonds" herein executed on behalf of the successful bidder and (c) evidence that the Official Statement has been filed with the Municipal Securities Rulemaking Board.

Additional Information

The information and descriptions in the Official Notice of Sale do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Series 2015 Bonds, are summaries of, and subject to, the detailed provisions of such documents and are qualified in their entirety by reference to each such document. Copies of the Bond Resolution, the Official Notice of Sale and the Confirmation of Sale for the Series 2015 Bonds will be furnished to any potential bidder upon request made to PFM. The Preliminary Official Statement and the Official Notice of Sale will also be made available through www.i-DealProspectus.com. For information contact Parity or PFM.

Any capitalized term used but not defined in the Official Notice of Sale or in the Confirmation of Sale for the Series 2015 Bonds shall have the meaning ascribed to such term in the Preliminary Official Statement.

Right of Rejection

The System reserves the right, in its sole discretion, to reject any or all bids. Any bid not complying with the terms of the Official Notice of Sale or specifying any conditions in addition to those contained herein may be rejected. The System reserves the right to waive any irregularity in compliance with the terms of the Official Notice of Sale.

Date: March 10, 2015

UNIVERSITY OF MAINE SYSTEM

s/Rebecca M. Wyke

Rebecca M. Wyke
Vice Chancellor for Finance and Administration and
Treasurer of the University of Maine System

Attachment A

INSTRUCTIONS TO VIEW THE PRELIMINARY OFFICIAL STATEMENT
(NO REGISTRATION NECESSARY)

- Go to URL www.i-DealProspectus.com
- Using the state and a range of dates, search for the University of Maine System Preliminary Official Statement
- Using Adobe Acrobat Reader you may search and print the document.
- If you do not have Adobe software, it can be downloaded for free at www.i-DealProspectus.com
- Contact I-Deal Prospectus at (212) 849-5024 with questions or problems.

INSTRUCTIONS TO SUBMIT A BID THROUGH PARITY

- You must be a contracted customer of Parity's Competitive Bidding System. If you do not have a contract with Parity, call (212) 849-5021 to become a customer.
- In Parity select the University of Maine System sale among the list of current sales.
- Go to the bid form page. Keep track of the time clock and be sure to read all bid specifications on the bottom.
- Once you have created and saved a bid in Parity, click the final bid button in Parity to submit the bid to Parity.
- Upon clicking the Final Bid button, the bidder will see a message box in Parity that states: "Do you want to submit this bid to Parity? By submitting the bid electronically through Parity, you represent and warrant that this bid for the purchase of the Bonds is submitted by the representative who is duly authorized to bind the bidder to a legal, valid, enforceable contract for the purchase of the Bonds. The Official Notice of Sale is incorporated herein by this reference."
- If during the bid calculation Parity warns you that your current bid violates the bid parameters, please change your bid to meet bid specifications. The Parity system will submit bids, which violate the bid parameters, but the System does not intend to consider any bids that do not meet its parameters.
- You may choose to proceed with submission of the bid or choose to cancel the submission.
- Contact Parity at (212) 849-5021 with questions or to report problems.

Summary Schedule for Bidders*

Date	EDT	Event
March 17, 2015	5:00 p.m.	Notification of revisions, if any, of the Official Notice of Sale for the Series 2015 Bonds published on TM3 (www.tm3.com) or through individual communication with Public Financial Management, Inc. ("PFM").
March 18, 2015	9:30 a.m.	Notification of revisions, if any, of the due date or time of bids for the Series 2015 Bonds published on TM3 (www.tm3.com) or through individual communication with PFM.
	10:30 a.m.	Deadline for the submission of bids for the Series 2015 Bonds.
	3:00 p.m.	Time by which the System expects to award the Series 2015 Bonds in writing to the successful bidder.
	4:00 p.m.	Deadline for the successful bidder to wire the Good Faith Deposit to the System.
March 19, 2015	10:30 a.m.	Deadline for the System to award the Series 2015 Bonds in writing to the successful bidder.

* *Preliminary, subject to change.*

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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Maine's Public Universities

UNIVERSITY OF MAINE SYSTEM

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