



\$55,965,000
**THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE
 METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY,
 TENNESSEE**

**REVENUE BONDS
 (BELMONT UNIVERSITY PROJECT),
 SERIES 2012**

Dated: Date of Issuance**Due: November 1, as shown on the inside front cover**

In the opinion of Adams and Reese LLP, Bond Counsel, based on existing law and assuming continuing compliance with certain covenants designed to meet the requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations. In the opinion of Bond Counsel, under the existing laws of the State of Tennessee, the Series 2012 Bonds and the income thereon are exempt from all State of Tennessee state, county and municipal taxation except for inheritance, transfer and estate taxes and except to the extent that the Series 2012 Bonds and the interest thereon are included within the measure of certain privilege and excise taxes imposed under Tennessee law. See "TAX MATTERS" herein.

The Revenue Bonds (Belmont University Project), Series 2012 (the "Series 2012 Bonds") of The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Board") will be issued pursuant to an Indenture of Trust, dated as of May 1, 2012 (the "Indenture"), between the Board and U.S. Bank National Association, as trustee (the "Trustee"). Proceeds of the Series 2012 Bonds will be loaned by the Board to Belmont University (the "University") pursuant to a Loan Agreement, dated as of May 1, 2012 (the "Loan Agreement"), between the Board and the University. The proceeds of the Series 2012 Bonds will be used to (1) refinance indebtedness previously incurred by the University to finance the acquisition, construction and equipping of an approximately 200-bed residence hall; (2) finance the acquisition, construction and equipping of an approximately 494-bed residence hall, including a 562-car underground parking garage and (3) pay certain costs of issuance of the Series 2012 Bonds, all as described in "**PLAN OF FINANCE**" herein.

The Series 2012 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2012 Bonds. The Trustee will pay principal and interest to DTC or its nominee. Purchasers will not receive certificates representing their ownership interests in the Series 2012 Bonds and must maintain an account with DTC Direct Participants or Indirect Participants. See "**THE SERIES 2012 BONDS—Book-Entry Only System**" herein.

The Series 2012 Bonds will bear interest payable on each May 1 and November 1, beginning November 1, 2012, will mature on November 1 in the years and principal amounts specified on the inside cover and will be subject to optional redemption prior to maturity as described in "**THE SERIES 2012 BONDS**" herein.

The Series 2012 Bonds will be special limited obligations of the Board payable from and secured by an assignment of the payments received by the Board under the Loan Agreement and certain funds held by the Trustee under the Indenture.

THE SERIES 2012 BONDS WILL BE LIMITED OBLIGATIONS OF THE BOARD PAYABLE SOLELY FROM THE REVENUES, RECEIPTS AND FUNDS PLEDGED OR AVAILABLE FOR THE PAYMENT THEREOF. THE SERIES 2012 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF TENNESSEE, THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS. THE SERIES 2012 BONDS DO NOT OBLIGATE THE STATE OF TENNESSEE, THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT THEREOF. THE BOARD HAS NO TAXING POWER.

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

The Series 2012 Bonds are offered when, as and if issued by the Board and received by the Underwriters, subject to the approval of their validity by Adams and Reese LLP, Nashville, Tennessee, Bond Counsel, as described herein, and to certain other conditions. Certain legal matters will be passed upon for the Board by Adams and Reese LLP, Nashville, Tennessee, for the University by Guenther, Jordan & Price, Nashville, Tennessee, and for the Underwriters by Bass, Berry & Sims PLC, Nashville, Tennessee. Delivery of the Series 2012 Bonds is expected to be made on or about May 30, 2012, in New York, New York, through the facilities of DTC.

Stephens Inc.**SunTrust Robinson Humphrey**

\$55,965,000

**THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE**

**REVENUE BONDS
(BELMONT UNIVERSITY PROJECT),
SERIES 2012**

November 1 Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP**
2013	\$1,465,000	2.000%	1.000%	592041 SV0
2014	1,600,000	2.000	1.350	592041 SW8
2015	1,800,000	2.000	1.750	592041 SX6
2016	1,900,000	3.000	2.150	592041 SY4
2017	2,200,000	3.000	2.450	592041 SZ1
2018	2,400,000	3.000	2.800	592041 TA5
2019	2,600,000	4.000	3.000	592041 TB3
2020	2,700,000	4.000	3.250	592041 TC1
2021	2,800,000	4.000	3.450	592041 TD9
2022	2,900,000	5.000	3.600*	592041 TE7
2023	3,000,000	5.000	3.700*	592041 TF4
2024	3,200,000	5.000	3.850*	592041 TG2
2025	3,400,000	5.000	3.950*	592041 TH0
2026	3,500,000	5.000	4.000*	592041 TJ6
2027	3,700,000	5.000	4.050*	592041 TK3
2028	3,900,000	5.000	4.100*	592041 TL1
2029	3,610,000	5.000	4.150*	592041 TM9
2029	490,000	4.300	4.400	592041 TN7
2030	4,200,000	5.000	4.200*	592041 TP2
2030	100,000	4.350	4.450	592041 TQ0
2031	1,415,000	5.000	4.300*	592041 TR8
2031	3,085,000	4.400	4.500	592041 TS6

*Yield to November 1, 2021 call date.

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc., and are included solely for convenience of the Bondholders. Neither the Board nor the University is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness herein.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Board, the University or the Underwriters. 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 2012 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

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

Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not representations of fact.

This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Board or the University since the date hereof or imply that any information herein is accurate or complete at any time subsequent to the date of this Official Statement or any earlier date specified herein.

THE BOARD HAS NOT REVIEWED OR APPROVED, AND DOES NOT REPRESENT OR WARRANT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, OTHER THAN THE STATEMENTS SET FORTH UNDER THE CAPTIONS "THE BOARD" AND "LITIGATION" (INSOFAR AS SUCH INFORMATION RELATES TO THE BOARD). THE BOARD MAKES NO REPRESENTATIONS HEREUNDER WHATSOEVER AS TO THE CREDITWORTHINESS OF THE UNIVERSITY OR THE ABILITY OF THE UNIVERSITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE SERIES 2012 BONDS.

THE SERIES 2012 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE BOARD, THE UNIVERSITY, THE SERIES 2012 BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE SUCH AUTHORITIES CONFIRMED THE ACCURACY OR DETERMINED THE ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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- Appendix E - Form of Continuing Disclosure Agreement

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**THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY, TENNESSEE**

**REVENUE BONDS
(BELMONT UNIVERSITY PROJECT),
SERIES 2012**

INTRODUCTION

This Official Statement, including the cover page and the Appendices, is provided in connection with the initial issuance and sale by The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Board") of its \$55,965,000 Revenue Bonds (Belmont University Project), Series 2012 (the "Series 2012 Bonds").

The Series 2012 Bonds will be issued pursuant to the Constitution and laws of the State of Tennessee (the "State"), in particular the provisions of Chapter 333 of the Public Acts of 1969 of the State of Tennessee, as amended, codified as Title 48, Chapter 101, Part 3 of the Tennessee Code Annotated, as amended (the "Act"), to (1) refinance indebtedness previously incurred by Belmont University (the "University") to finance the acquisition, construction and equipping of an approximately 200-bed residence hall; (2) finance the acquisition, construction and equipping of an approximately 494-bed residence hall, including a 562-car underground parking garage (collectively, the "2012 Project") and (3) pay certain costs of issuance of the Series 2012 Bonds. See "PLAN OF FINANCE" herein.

The proceeds of the Series 2012 Bonds will be loaned to the University pursuant to a Loan Agreement, dated as of May 1, 2012 (the "Loan Agreement"), between the Board and the University. Pursuant to the Loan Agreement, the University will be required to pay amounts sufficient to pay principal of and interest on the Series 2012 Bonds. The Series 2012 Bonds are not secured by a mortgage of or a security interest in any property of the University. See "SECURITY FOR THE SERIES 2012 BONDS" herein.

The Series 2012 Bonds will be issued pursuant to an Indenture of Trust, dated as of May 1, 2012 (the "Indenture"), between the Board and U.S. Bank National Association, as trustee (the "Trustee"). The Series 2012 Bonds will be payable from payments by the University under the Loan Agreement, which will be assigned, without recourse, by the Board to the Trustee.

Appendix A to this Official Statement contains certain information regarding the University, including unaudited financial statements for the nine-month period ended February 29, 2012. The audited financial statements of the University as of and for the fiscal year ended May 31, 2011, are set forth in Appendix B hereto.

Descriptions of certain provisions of the Indenture and the Loan Agreement are set forth in Appendix C hereto. Certain capitalized terms used in this Official Statement, but not defined elsewhere herein, are defined in Appendix C hereto.

Appendix D contains the proposed form of the approving opinion of Adams and Reese LLP, Nashville, Tennessee, Bond Counsel. Appendix E contains the proposed form of the Continuing Disclosure Agreement of the University.

THE BOARD

General

The Board, the issuer of the Series 2012 Bonds, is a Tennessee public, nonprofit corporation and instrumentality of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government") organized in 1974 pursuant to Title 48, Chapter 101, Part 3 of the Tennessee Code Annotated, as it may from time to time be amended, or any successor statute (the "Act"). The purpose of the Act, as stated therein, is to provide a measure of assistance and an alternative method to enable institutions of higher education to develop and maintain appropriate educational facilities by authorizing the incorporation of public corporations to finance, acquire, own, lease and dispose of (but not to operate) properties with a view to promoting the higher education of the people of the State of Tennessee.

Although the Board is a public instrumentality of the Metropolitan Government, the Metropolitan Government is not liable in any way for payment of the Series 2012 Bonds or for the performance by the Board of its obligations under the Bond Documents.

Organization and Membership

The Act provides that the Board shall be governed by a board of not less than seven directors who are elected by the Metropolitan County Council of the Metropolitan Government. Directors hold office for staggered terms and receive no compensation except reimbursement for actual expenses incurred in the performance of their duties.

Certain Powers of the Board

The Act empowers the Board, among other things, (i) to acquire, improve, maintain, extend and furnish one or more projects, which are defined as structures, machinery, equipment or other property suitable for use by institutions of higher education in connection with their operations or proposed operations, (ii) to loan to an institution for higher education the proceeds from the sale of its bonds to finance any or all of such projects upon such terms as the Board shall deem advisable, (iii) to borrow money and issue its bonds, including refunding bonds, for the purposes of carrying out any of its powers, and (iv) to pledge the revenues and receipts therefrom, as security for the payment of the principal of and interest on any bonds so issued and any agreements made in connection therewith.

Indebtedness of the Board

The Board has previously issued and may in the future issue bonds to finance facilities that may compete with the University. Each series of bonds issued by the Board is payable only from revenues provided by the institution for which such series was issued, and general funds of the Board are not available for the payment of such bonds.

Limited Liability of the Board for Payment of the Series 2012 Bonds

The Series 2012 Bonds will be limited obligations of the Board payable solely out of the Trust Estate established under the Indenture, which will include rights to and receipts of payments to be made by the University pursuant to the Loan Agreement.

The Series 2012 Bonds will not constitute general, or full faith and credit, obligations of the Board. The Board will not assign or pledge any of its assets, properties or rights to the payment of the Series 2012 Bonds other than the property constituting the Trust Estate. See "SECURITY FOR SERIES 2012 BONDS" herein.

Series 2012 Bonds Not Liability of State or Metropolitan Government

The Series 2012 Bonds will not constitute or create any debt, liability, or obligation of the State of Tennessee or any political subdivision or agency thereof (which includes the Metropolitan Government) or a pledge of the faith and credit of the State of Tennessee or any political subdivision or agency thereof, but will be limited obligations of the Board payable solely from the sources described in this Official Statement. Neither the faith and credit nor the taxing power of the State of Tennessee or any political subdivision or any agency thereof will be pledged to the payment of the Series 2012 Bonds.

Limited Role of Board in Financing

Neither the Board nor its directors, officers, agents and employees control or participate in any way in the management of the operations of the University. The role of the Board in the financing is limited to issuance of the Series 2012 Bonds and payment of the Series 2012 Bonds solely from the limited sources specified in the Indenture.

Limitations on Liability of Directors, Officers, Agents and Employees of Board

The directors, officers, agents and employees of the Board are not personally liable for payment of any costs, losses, damages or liabilities caused or incurred by the Board or the Trustee in connection with the Series 2012 Bonds or the Bond Documents, or for the payment of any sum or the performance of any obligation of the Board under the Series 2012 Bonds or the Bond Documents.

THE UNIVERSITY

The University is a private, four-year, coeducational university located on seventy-five acres two miles southwest of downtown Nashville, Tennessee. A nondenominational Christian university, Belmont has more than 6,300 students, hailing from all fifty states and from twenty-five countries, and is the second largest private university in the State. It is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award baccalaureate, master's and doctoral degrees and has seventy-five undergraduate majors, twenty master's programs and four doctoral programs. The music and music business programs have received particular acclaim and have benefitted from the University's location in Nashville, Tennessee (also known as "Music City U.S.A.").

The University was originally known as Belmont College and offered elementary school through junior college education to women from 1890 until 1913. Belmont College merged with Ward Seminary in 1913 to become the prestigious Ward-Belmont School for Women, which operated until 1951. In 1951, the school joined with the Tennessee Baptist Convention and became the coeducational Belmont College. Belmont College became Belmont University in 1991. In 2007, the University and the Tennessee Baptist Convention agreed to terminate their relationship.

The University is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), exempt from federal income taxation under Section 501(a) of the Code.

Appendix A to this Official Statement contains certain information regarding the University, including unaudited financial statements for the nine-month period ended February 29, 2012. The audited financial statements of the University as of and for the fiscal year ended May 31, 2011, are set forth in Appendix B hereto.

THE SERIES 2012 BONDS

General

The Series 2012 Bonds will be dated the date of initial issuance. Each Series 2012 Bond will bear interest from the Interest Payment Date (as hereinafter defined) next preceding the date on which it is authenticated unless it is (a) authenticated on any Interest Payment Date in which event it shall bear interest from such Interest Payment Date or (b) authenticated before the first Interest Payment Date in which event it shall bear interest from its dated date. Interest will be payable on November 1, 2012, and on each May 1 and November 1 thereafter (each an "Interest Payment Date"), at the rates, and will mature on November 1 in the years and amounts, as set forth on the inside cover page of this Official Statement. The Series 2012 Bonds will be issued initially in book-entry only form in denominations of \$5,000 and multiples thereof ("Authorized Denominations").

The principal of all Series 2012 Bonds is payable at the designated corporate trust office of the Trustee. Payment of the principal of all Series 2012 Bonds will be made on the presentation and surrender of such Series 2012 Bonds as the same become due and payable. As long as the Series 2012 Bonds are held by DTC (as defined below) or its nominee, interest will be paid to Cede & Co., as nominee of DTC, on each Interest Payment Date. If the book-entry system is discontinued, the Trustee will on each Interest Payment Date remit the required interest amount to each registered owner by mail, or at the written request of the registered owner of \$1,000,000 or more of Series 2012 Bonds, by wire transfer.

Interest on any Series 2012 Bond which is payable on any Interest Payment Date will be paid to the person in whose name that Series 2012 Bond is registered at the close of business on the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date ("Regular Record Date"). Any interest not so punctually paid or duly provided for on an Interest Payment Date shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the person in whose name that Series 2012 Bond is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

Exchange of Series 2012 Bonds

Series 2012 Bonds, on surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as is satisfactory to the Trustee, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Series

2012 Bonds, of any Authorized Denomination, bearing interest at the same rate, and in the same form as the registered Series 2012 Bonds surrendered for exchange.

Upon receipt by the Board and the Trustee of evidence satisfactory to them that any Series 2012 Bond has been lost or destroyed, the Board shall cause to be executed, and the Trustee shall authenticate and deliver, upon receipt of payment of the reasonable expenses and charges of the Board and the Trustee and indemnity satisfactory to them, a new bond of like date and tenor in exchange and substitution for such Series 2012 Bond lost or destroyed.

Transfer of Series 2012 Bonds

Transfer of any Series 2012 Bond may be registered only on the registration books of the Trustee on surrender of such Series 2012 Bond to the Trustee together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as is satisfactory to the Trustee. On any such registration of transfer, the Board shall execute and the Trustee shall authenticate and deliver in exchange for such Series 2012 Bond a new registered Series 2012 Bond or Series 2012 Bonds, registered in the name of the transferee, of any Authorized Denomination in the aggregate principal amount equal to the principal amount of such Series 2012 Bond surrendered or exchanged, bearing interest at the same rate. **Notwithstanding the foregoing, so long as the Series 2012 Bonds are held in book-entry only form, registration and registration of transfer shall be made as set forth in “Book-Entry Only System” below.**

No service charge will be made for any registration, transfer or exchange of Series 2012 Bonds, but the Board and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Series 2012 Bonds.

Redemption

Optional Redemption. The Series 2012 Bonds maturing on and after November 1, 2022, are subject to redemption by the Board, at the option of the University, in whole or in part at any time on or after November 1, 2021, at a redemption price of par plus accrued interest to (but not including) the redemption date.

Mandatory Redemption Upon a Determination of Taxability. Upon any determination by the Internal Revenue Service or a court, any enactment of legislation or issuance of an opinion of bond counsel that interest on the Series 2012 Bonds is includable in gross income for federal income tax purposes of any bondholder or any former bondholder, the Series 2012 Bonds are subject to mandatory redemption in whole on the earliest practicable date for which notice can be given at a redemption price of par plus accrued interest to (but not including) the redemption date.

Manner of Redemption. Notice of the call for redemption, identifying the Series 2012 Bonds or portions thereof to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by first class mail at least 30 days but not more than 60 days prior to the date fixed for redemption to the owner of each Series 2012 Bond to be redeemed in whole or in part at the address shown on the registration books. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any owner, shall not affect the proceeding for redemption as to any owner to whom proper notice is mailed.

If on or prior to the date fixed for redemption, sufficient moneys shall be on deposit with the Trustee to pay the redemption price of the Series 2012 Bonds called for redemption, the Trustee shall apply such funds to the payment of the principal of the Series 2012 Bonds or portions thereof called, together with accrued interest thereon to (but not including) the redemption date. Upon the giving of notice and the deposit of moneys for redemption at the required times on or prior to the date fixed for redemption, interest on the Series 2012 Bonds or portions thereof thus called shall no longer accrue after the date fixed for redemption.

If less than all of the Series 2012 Bonds are called for redemption, they shall be redeemed from maturities in such order as determined by the University, and by lot within any maturity (provided, however, that if a default has occurred and is continuing any Series 2012 Bonds called for redemption shall be redeemed prorata by maturity and within maturities by lot), subject to selection by the Trustee as provided below. For these purposes, all bonds maturing on the same date and bearing the same interest rate shall be treated as a maturity of the Series 2012 Bonds. The portion of any Series 2012 Bond to be redeemed shall be in an Authorized Denomination and in selecting Series 2012 Bonds for redemption, each Series 2012 Bond

shall be considered as representing that number of Series 2012 Bonds which is obtained by dividing the principal amount of such Series 2012 Bond by the minimum Authorized Denomination. If a portion of a Series 2012 Bond shall be called for redemption, a new Series 2012 Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Series 2012 Bondholder upon the surrender thereof. If for any reason the principal amount of Series 2012 Bonds called for redemption would result in a redemption of Series 2012 Bonds less than the Authorized Denomination, the Trustee, to the extent possible within the principal amount of Series 2012 Bonds to be redeemed, is authorized to adjust the selection of Series 2012 Bonds for such purpose in order to minimize any such redemption. Notwithstanding the foregoing, the securities depository for Series 2012 Bonds held in the book-entry system shall select the Series 2012 Bonds for redemption within particular maturities according to its stated procedures.

Book-Entry Only System

Set forth below is a description, based solely on information provided by The Depository Trust Company, New York, New York (“DTC”), of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2012 Bonds, payments of principal of and interest on the Series 2012 Bonds to DTC, its nominee, Direct Participants, defined below, or Beneficial Owners, defined below, confirmation and transfer of beneficial ownership interests in the Series 2012 Bonds and other bond-related transactions by and between DTC, Direct Participants and Beneficial Owners. The information set forth herein concerning DTC and the book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Board, the Underwriters, the Trustee or the University.

DTC will act as securities depository for the Series 2012 Bonds. The Series 2012 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 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of the DTC 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 Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are expected, however, 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 2012 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 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 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2012 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 detailed information from the Board or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Board subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2012 Bond certificates are required to be prepared, executed and delivered.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, either a successor securities depository will be selected by the Board or Series 2012 Bond certificates will be prepared, executed and delivered.

The Board and the Trustee have no responsibility or obligation to the Direct Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2012 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee of DTC, references in this Official Statement to the Bondholders of the Series 2012 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondholder of Series 2012 Bonds for all purposes under the Indenture.

The Board may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2012 Bonds without the consent of Beneficial Owners or Bondholders.

PLAN OF FINANCE

The proceeds derived from the sale of the Series 2012 Bonds will be loaned to the University and used to refinance and finance costs of the 2012 Project and to pay certain costs of issuance of the Series 2012 Bonds. See **Appendix C** – “Summary of Certain Provisions of the Indenture” for a description of the Project Fund from which 2012 Project costs will be paid, including eligible costs to be paid from the Project Fund, requisition procedures and the investment of Project Fund moneys.

The 2012 Project

The 2012 Project consists of (i) refinancing temporary construction financing for Maple Hall, an approximately 200-bed campus residence hall featuring suite-style accommodations that was completed in August 2008 and (ii) financing the construction, improvement and equipping of Bruin Hills, an approximately 494-bed residence hall featuring apartment-style accommodations and a 562-car underground parking garage. The University has paid a portion of the costs of constructing Bruin Hills with University funds and plans to be reimbursed from proceeds of the Series 2012 Bonds. The University does not have temporary construction financing for Bruin Hills.

Sources and Uses of Funds

The University expects to use the proceeds derived from the sale of the Series 2012 Bonds substantially as follows:

Sources of Funds	
Principal Amount of Series 2012 Bonds	\$55,965,000
Net Original Issue Premium	3,197,825
University Contribution	<u>4,674,410</u>
Total Sources	<u>\$63,837,235</u>
Uses of Funds	
Deposit to Project Fund	\$58,603,556
Deposit to Debt Service Reserve Fund	4,674,410
Costs of Issuance ⁽¹⁾	<u>559,269</u>
Total Uses	<u>\$63,837,235</u>

⁽¹⁾ Includes Underwriters’ discount (see “**Underwriting**” herein), legal, accounting and Trustee and rating agency fees, printing costs, contingency and other costs of issuance.

SECURITY FOR SERIES 2012 BONDS

General

The Series 2012 Bonds will be limited obligations of the Board and will be equally and ratably secured under the Indenture, which assigns to the Trustee as security for the Series 2012 Bonds, (1) all right, title and interest of the Board in and to the Loan Agreement (except for certain reserved rights to indemnification, payment of fees and expenses, receipt of notices and granting of approvals and consents) and (2) all right, title and interest of the Board in and to all money and securities held by the Trustee under the Indenture (other than moneys held in the Rebate Fund).

The University will agree in the Loan Agreement to make payments at the times and in the amounts equal to the amounts to be paid as principal and interest on the Series 2012 Bonds, as the same shall become due. The obligations of the University to make such payments are absolute and unconditional, are secured by the general credit of the University and are payable from any available monies and all available assets of the University. **The Series 2012 Bonds and the Loan**

Agreement will not be secured by a mortgage on or a security interest in any property of the University. The only source of payment for the Series 2012 Bonds will be the payments made by the University under the Loan Agreement, which will be a senior unsecured general obligation of the University.

THE SERIES 2012 BONDS WILL BE LIMITED OBLIGATIONS OF THE BOARD PAYABLE SOLELY FROM THE REVENUES, RECEIPTS AND FUNDS PLEDGED OR AVAILABLE FOR THE PAYMENT THEREOF. THE SERIES 2012 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF TENNESSEE, THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS. THE SERIES 2012 BONDS DO NOT OBLIGATE THE STATE OF TENNESSEE, THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO TAKE ANY APPROPRIATION FOR THE PAYMENT THEREOF. THE BOARD HAS NO TAXING POWER.

Bond Fund and Debt Service Reserve Fund

The Indenture establishes a Bond Fund, which will be held by the Trustee and which must be fully funded by the University in advance of each Interest Payment Date. Amounts on deposit in the Bond Fund will be restricted to the payment of debt service on the Series 2012 Bonds.

The Indenture establishes a Debt Service Reserve Fund, which will be held by the Trustee and which must be funded by the University to an amount equal to the least of (a) 10% of the stated principal amount of the Series 2012 Bonds; (b) the maximum annual debt service requirement on the Series 2012 Bonds; or (c) 125% of the average annual debt service requirement on the Series 2012 Bonds (the “Debt Service Reserve Fund Requirement”). The Debt Service Reserve Fund Requirement for the Series 2012 Bonds is \$4,674,410 and will be funded at the time the Series 2012 Bonds are issued with a deposit of University funds. Amounts on deposit in the Debt Service Reserve Fund will be restricted to the payment of debt service on the Series 2012 Bonds in the event amounts on deposit in the Bond Fund are insufficient therefor. The Loan Agreement requires that the University replenish any draw on the Debt Service Reserve Fund within 12 months. The documents securing the payment of approximately \$73,000,000 of other bank-held University indebtedness provide that any draw on the Debt Service Reserve Fund is an event of default under such documents. See “APPENDIX A – CERTAIN INFORMATION CONCERNING BELMONT UNIVERSITY – Other Indebtedness.”

See “APPENDIX C – Summary of Certain Provisions of the Indenture and the Loan Agreement” for a more detailed description of the funds and accounts established under the Indenture for payment of the Series 2012 Bonds, including the Bond Fund and the Debt Service Reserve Fund.

Financial and Debt-Related Covenants

Negative Pledge on Real Property. The Loan Agreement prohibits the University from mortgaging or pledging any of the real property comprising its campus.

Subsidiary Guaranties. The University has created several wholly-owned limited liability companies for the purpose of owning single and multi-family residential and commercial properties on behalf of the University outside the boundaries of the University campus. Such properties will not be subject to the Negative Pledge Agreement unless and until they are assimilated into the University campus. The University may, in the future, create other wholly-owned subsidiaries to own properties on behalf of the University. The Loan Agreement requires that all current and future subsidiaries guarantee the payment of the Series 2012 Bonds.

Limitation on Additional Debt. The Loan Agreement prohibits the University from incurring additional debt, except where such debt (i) is incurred to refund previous debt of the University and does not increase the University’s maximum annual Debt Service Requirement, (ii) does not exceed \$3,000,000 in principal amount outstanding at any time or (iii) is accompanied by a certification of the University that, following the issuance of such additional debt, (A) the University will be in compliance with the liquidity and leverage covenants described below and (B) the unrestricted funds generated in the prior fiscal year were not less than 120% of the new maximum annual Debt Service Requirement.

Financial Covenants.

Debt Service Coverage Ratio. The Loan Agreement obligates the University to generate, in each fiscal year, unrestricted funds available to pay debt service at least equal to 120% of the University's Debt Service Requirement for such fiscal year.

Liquidity Requirement. The Loan Agreement obligates the University to maintain expendable funds of not less than \$40,000,000. For purposes of the Loan Agreement, "expendable funds" equals cash plus the market value of "unrestricted investments" as described and defined in the investment disclosure section set forth in the annual audited financial statements.

Leverage Ratio. The Loan Agreement obligates the University to maintain total net assets at least equal to the total principal amount of debt outstanding.

See "APPENDIX C – Summary of Certain Provisions of the Indenture and the Loan Agreement" for a more detailed description of the covenants made by the University in connection with the issuance of the Series 2012 Bonds.

Currently Outstanding Indebtedness

The University has outstanding approximately \$79,000,000 of debt or other long-term payment obligations. With the exception of a \$2,200,000 note secured by a mortgage lien on a portion of the University's campus properties, all of the University's currently outstanding debt is payable from and secured by the general credit of the University and is not secured by a mortgage of or pledge of security in any properties or assets of the University.

See "FINANCIAL MATTERS – Other Indebtedness" in **Appendix A** herein and **Appendix B** herein for a further description of the University's outstanding indebtedness and the security therefor.

Events of Default; Bondholder Remedies

The following events constitute Defaults under the Indenture: (a) failure to timely pay debt service on the Series 2012 Bonds, (b) the occurrence of a default under the Loan Agreement and (c) the breach of a covenant under the Indenture and the failure to cure after notice thereof.

The following events constitute Defaults under the Loan Agreement: (a) failure to timely pay debt service, (b) the breach of a covenant under the Loan Agreement and the failure to cure after notice thereof, (c) dissolution or bankruptcy of the University, (d) a final material judgment is entered against the University and (e) the default and acceleration of any other material indebtedness.

Upon a Default, the Indenture provides the Trustee the right to enforce the provisions of the Loan Agreement. In addition, upon a Default, the Trustee may and, at the direction of the holders of at least 25% of the principal amount of the Series 2012 Bonds then outstanding, shall accelerate the University's obligation to pay debt service under the Loan Agreement.

Any attempt by the Trustee to enforce payment under, or other rights provided in, the Loan Agreement may be limited by bankruptcy proceedings and usual equity principles, which may restrict the ability of the Trustee to seek payment from the University or its assets. Because the Series 2012 Bonds are not secured by any lien or security interest, the Trustee would have no special claim in a bankruptcy proceeding to revenues or particular assets of the University.

Bankruptcy proceedings involving the University could have adverse effects on holders of the Series 2012 Bonds, including, without limitation, (a) delay in the enforcement of their remedies, (b) subordination of their claims to the administrative expenses of bankruptcy proceedings and to the claims of those supplying goods and services to the University after the initiation of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Series 2012 Bonds. The United States Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors, such as the holders of the Series 2012 Bonds, such class of creditors will have the benefit of their original claim or the "indubitable equivalent" thereof,

although such plan may not provide for payment in full of the Series 2012 Bonds. The effect of these and other provisions of the United States Bankruptcy Code cannot be predicted and may be affected significantly by judicial interpretation.

See “APPENDIX C – Summary of Certain Provisions of the Loan Agreement” and – “Summary of Certain Provisions of the Indenture” for a description of the events of default and remedies available to the Trustee and bondholders under the Loan Agreement and the Indenture.

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ANNUAL DEBT SERVICE REQUIREMENT

The following table sets forth, for each fiscal year of the University ending May 31, the approximate amount required for the payment of principal and interest on the Series 2012 Bonds, long-term bank-held debt and other long-term obligations of the University.

FISCAL YEAR ENDING	SERIES 2012 BONDS PRINCIPAL	SERIES 2012 BONDS INTEREST	BANK-HELD DEBT PRINCIPAL ⁽¹⁾	BANK-HELD DEBT INTEREST ⁽¹⁾	OTHER	OTHER	TOTAL DEBT SERVICE
					LONG-TERM	LONG-TERM	
					OBLIGATIONS PRINCIPAL ⁽²⁾	OBLIGATIONS INTEREST ⁽²⁾	
5/31/2013	\$0	\$2,223,869	\$4,650,000	\$2,251,345	\$150,863	\$396,093	\$9,672,170
5/31/2014	1,465,000	2,404,060	4,750,000	2,074,933	162,756	384,200	11,240,949
5/31/2015	1,600,000	2,373,410	4,950,000	1,893,050	175,595	371,361	11,363,415
5/31/2016	1,800,000	2,339,410	4,950,000	1,704,839	189,456	357,500	11,341,205
5/31/2017	1,900,000	2,292,910	5,150,000	1,513,690	204,421	342,535	11,403,556
5/31/2018	2,200,000	2,231,410	5,450,000	1,328,935	220,579	326,377	11,757,301
5/31/2019	2,400,000	2,162,410	5,650,000	1,154,731	238,025	308,931	11,914,097
5/31/2020	2,600,000	2,074,410	5,750,000	974,027	256,862	290,094	11,945,393
5/31/2021	2,700,000	1,968,410	5,850,000	798,058	277,203	269,753	11,863,424
5/31/2022	2,800,000	1,858,410	6,150,000	626,431	299,169	247,787	11,981,797
5/31/2023	2,900,000	1,729,910	6,250,000	447,628	322,889	224,067	11,874,494
5/31/2024	3,000,000	1,582,410	2,750,000	300,716	197,088	199,935	8,030,148
5/31/2025	3,200,000	1,427,410	2,350,000	210,706	57,826	192,174	7,438,116
5/31/2026	3,400,000	1,262,410	2,350,000	132,056	61,463	188,537	7,394,466
5/31/2027	3,500,000	1,089,910	1,150,000	78,747	65,329	184,671	6,068,657
5/31/2028	3,700,000	909,910	1,150,000	60,918	69,438	180,562	6,070,828
5/31/2029	3,900,000	719,910	1,150,000	43,088	73,806	176,194	6,062,998
5/31/2030	4,100,000	521,625	1,150,000	25,259	78,448	171,552	6,046,884
5/31/2031	4,300,000	313,665	1,150,000	7,429	83,383	166,617	6,021,094
5/31/2032	4,500,000	103,245	0	0	88,628	161,372	4,853,245
5/31/2033	0	0	0	0	94,202	155,798	250,000
5/31/2034	0	0	0	0	100,128	149,872	250,000
5/31/2035	0	0	0	0	106,426	143,574	250,000
5/31/2036	0	0	0	0	113,120	136,880	250,000
5/31/2037	0	0	0	0	120,235	129,765	250,000
5/31/2038	0	0	0	0	127,798	122,202	250,000
5/31/2039	0	0	0	0	135,836	114,164	250,000
5/31/2040	0	0	0	0	144,380	105,620	250,000
5/31/2041	0	0	0	0	153,462	96,538	250,000
5/31/2042	0	0	0	0	163,115	86,885	250,000
5/31/2043	0	0	0	0	173,375	76,625	250,000
5/31/2044	0	0	0	0	184,280	65,720	250,000
5/31/2045	0	0	0	0	195,871	54,129	250,000
5/31/2046	0	0	0	0	208,191	41,809	250,000
5/31/2047	0	0	0	0	221,287	28,713	250,000
5/31/2048	0	0	0	0	235,206	14,794	250,000
TOTAL	\$55,965,000	\$31,589,114	\$72,750,000	\$15,626,586	\$5,750,139	\$6,663,398	\$188,344,237

⁽¹⁾ “Bank-Held Debt” includes the long-term bank-held debt of the University currently outstanding and consists of the SunTrust Bonds and Regions Bonds as defined and described in “Other Indebtedness” in **Appendix A** hereto. The interest rates on such Bank-Held Debt are either variable or synthetically fixed. For purposes of this table, variable rate Bank-Held Debt is assumed to have interest rates based on the applicable formulas calculated as a percentage of 30-day LIBOR plus the applicable credit spread, with 30-day LIBOR assumed to be equal to 0.30%. “Bank-Held Debt” does not include an approximately \$10 million debt for temporary construction financing that will be refinanced with the proceeds of the Series 2012 Bonds.

⁽²⁾ “Other Long-Term Obligations” include payments owed by the University to the Tennessee Baptist Convention and Belmont Heights Baptist Church as further described in “Other Indebtedness” in **Appendix A** hereto.

DEBT SERVICE COVERAGE

The following table sets forth, for the below fiscal years ending May 31, the debt service coverage ratios of the University. The table does not include debt service on the Series 2012 Bonds in "Debt Service Requirements".

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Revenues					
Tuition Revenue	\$ 81,813,737	\$ 91,858,501	\$ 104,272,076	\$ 118,055,277	\$ 134,786,833
Less: Scholarships & Fellowships	(13,784,163)	(13,804,991)	(16,258,759)	(19,045,578)	(21,399,404)
Net Tuition Revenue	68,029,574	78,053,510	88,013,317	99,009,699	113,387,429
Sales and Services of auxiliary enterprises	15,328,537	16,890,930	18,326,359	19,308,931	21,919,998
Private Gifts and Grants - Unrestricted	1,766,463	1,466,315	1,772,281	1,050,108	1,224,986
Other Income	25,352,285	7,993,956	14,862,108	9,565,029	19,379,209
Total Funding Sources	110,476,859	104,404,711	122,974,065	128,933,767	155,911,622
Expenses					
Operating Expenses	(70,925,054)	(84,352,018)	(93,551,837)	(92,915,653)	(102,017,223)
Depreciation and Amortization	(5,087,910)	(5,554,765)	(5,899,750)	(7,086,833) ^[1]	(5,141,437)
Interest Charges ^[2]	(3,755,513)	(3,715,529)	(3,424,317)	(3,406,337)	(3,114,121)
Total Expenses	(79,768,477)	(93,622,312)	(102,875,904)	(103,408,823)	(110,272,781)
Increase (Decrease) in Unrestricted Net Assets	30,708,382	10,782,399	20,098,161	25,524,944	45,638,841
Coverage Adjustments					
Interest Charges ^[2]	3,755,513	3,715,529	3,424,317	3,406,337	3,114,121
Depreciation and Amortization	5,087,910	5,554,765	5,899,750	7,086,833 ^[1]	5,141,437
Total Coverage Adjustment	8,843,423	9,270,294	9,324,067	10,493,170	8,255,558
Unrestricted Funds Available for Debt Service	39,551,805	20,052,693	29,422,228	36,018,114	53,894,399
Debt Service Requirements ^[3]	10,922,905	11,501,212	15,457,533	9,826,523	9,688,738
Debt Service Coverage Ratio (Existing Debt Only)					
Unrestricted Net Assets at 5/31	\$ 115,961,692	\$124,581,273	\$124,612,479	\$153,684,519	\$200,881,103
	3.62 x	1.74 x	1.90 x	3.67 x	5.56 x
Source: Belmont University Financial Statements and Independent Auditors' Report Years Ended May 31, 2007, 2008, 2009, 2010, 2011 prepared by Crosslin & Associates, P.C., Certified Public Accountants, and supplementary information provided by University Officials.					
^[1] Includes the one-time writedown of bond amortization costs in the amount of \$817,314 according to supplementary information provided by University officials.					
^[2] For purposes of this table, "Interest Charges" includes interest expense and other debt related charges.					
^[3] For purposes of this table, "Debt Service Requirements" includes principal and interest expense and other debt related charges.					

INVESTMENT CONSIDERATIONS

The following is a discussion of certain factors that should be considered in making an investment decision regarding the Series 2012 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all factors that should be considered in making an investment decision. Prospective purchasers of the Series 2012 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in "APPENDIX C — Certain Definitions and Summaries of Certain Provisions of the Indenture and the Loan Agreement".

General

The Series 2012 Bonds are limited obligations of the Board payable by the Board solely from the Trust Estate, including payments to be made by the University pursuant to the Loan Agreement and certain other funds held by the Trustee under the Indenture. No representation or assurance can be given that the University will realize revenues in amounts sufficient to make such payments under the Loan Agreement with respect to the Series 2012 Bonds. The realization of future revenues is dependent upon, among other things, the capabilities of the management of the University, government regulations, particularly those affecting student aid, and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

The University expects that revenues derived from its ongoing operations, together with other available sources, will at all times be sufficient to make the required payments on the Series 2012 Bonds, and the University has covenanted under the Loan Agreement to make all such payments when due. A number of factors including those set forth below, however, may adversely affect the University's ability to make timely payments on the Series 2012 Bonds.

For more information on the University, see "APPENDIX A — CERTAIN INFORMATION CONCERNING BELMONT UNIVERSITY."

Unsecured Obligations

Payment of the Series 2012 Bonds is not secured by any mortgage or pledge of any of the University's assets or revenues. Thus, the timely payment of the University's debt service obligations is dependent upon the tuition revenue, government grant revenue, fundraising, the University's investment income and endowment as well as other sources. In addition, most of facilities of the University are specifically designed for educational purposes. Thus, the ability of the University to realize funds from the sale or rental of such facilities may be limited.

Factors Generally Affecting the Financial Performance of the University

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the University's operations and financial performance to an extent that cannot be determined at this time. See "APPENDIX A — CERTAIN INFORMATION CONCERNING BELMONT UNIVERSITY" for more detailed information regarding the matters set forth below.

- *Reliance on Financial Aid.* Financial assistance is a significant factor in the decision of many students to attend a particular college or university. In the fall semester of the 2011-12 academic year, approximately 75% of University students received some form of financial assistance through a combination of grants, scholarships, loans, tuition discounts and other financial aid. In recent years, an increasing percentage of the students at the University have received some form of scholarship or tuition discount, including many of whom are primarily dependent upon such financial aid to pay tuition and other costs of their education. The tuition discounts/scholarships are important in maintaining enrollment, but must be limited so as not to adversely affect revenues. Significant changes in the availability of federal loan programs and other forms of student aid could also adversely affect the ability of students to attend the University with a resultant adverse impact on the financial condition of the University and its ability to meet debt service on the Series 2012 Bonds. No assurance can be given that the historical level of financial aid will continue.
- *Student Enrollment.* The adequacy of University revenues will depend on maintaining enrollment levels as well as being able to charge sufficient rates for tuition, housing, and other fees. Competition for students among colleges and universities remains intense and the University competes with other private colleges and universities, the public universities of Tennessee, and local area community colleges. Generally, the tuition charged by public colleges and universities is significantly less than tuition charged by the University. There can be no assurance that the University can continue to enroll a sufficient number of students to generate revenues sufficient to pay the debt service on the Series 2012 Bonds.
- *Competition.* Competition for students among colleges and universities is intense. The University competes for undergraduate students with a large number of state and private colleges and universities in the State of Tennessee and the region. Generally, the tuition charged by state colleges and universities is significantly less than tuition

charged by the University. If the University is unable to maintain its competitive position, its ability to earn revenues and to pay debt service on the Series 2012 Bonds may be impaired.

- *Accreditation.* The University is accredited by the Southern Association of Colleges and Schools ("SACS"). In order to attract students and to qualify under federal, state, and private student financial aid programs, the University must maintain its accreditation with SACS or any successor accreditation agencies.
- *Faculty.* The ability of the University to attract and retain quality faculty members is an important factor in the University's academic reputation and its ability to attract students. Approximately 53% of the University's faculty members are tenured, and thus should any reduction of programs be necessitated by economic conditions, the University's ability to reduce the size of its faculty may be limited.
- *Endowment and Investment Income.* The University plans its budget to include some spending from endowment and investment income each year. Such income is dependent upon a variety of economic conditions that are beyond the control of the University and may change in the future to an extent that cannot be presently determined. While the University believes that its investments are being managed prudently and has adopted policies designed to ensure the prudent management of its investments in the future, there can be no assurance that unforeseen developments in the securities markets will not have an adverse effect on the market value of those investments and the income generated therefrom.
- *Operating Costs.* The University expects that it will experience increases in operating costs due to inflation, costs of health care insurance, retirement plans or other benefits offered by the University to its employees, increases in the costs of compliance with federal or state laws or regulations, or other increases in operating expenses. There is no assurance that cost increases will be matched by increased tuition and other charges in amounts sufficient to generate an excess of revenues over expenses at the levels experienced by the University.
- *Liabilities in Excess of Insurance.* While the University is required by the Loan Agreement to have in effect at all times comprehensive general liability insurance and other types of insurance, if a claim or judgment against the University for an amount in excess of the limits of such insurance were to arise or for which insurance has not been or could not be obtained, such claim or judgment could adversely affect the ability of the University to make debt service payments on the Series 2012 Bonds.
- *Gifts, Grants and Bequests.* The University annually solicits gifts and bequests for both current operating purposes and other needs. There can be no assurance that the amount of gifts, grants and bequests received by the University will remain stable or increase in the future. Any adverse change in enrollment could adversely affect the amount of gifts, grants and bequests received by the University, which could adversely affect the University's financial position and results of operations.

Environmental Matters

The University is not aware of any releases of pollutants or contaminants at the University's campuses that would give rise to enforcement actions under applicable state or federal environmental statutes. However, there could be other such releases not known to the University on the campus of the University as of the date of this Official Statement.

The University is not aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants on its campuses. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were initiated, the University could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the campus.

Enforcement of Remedies

Enforcement of the remedies under the Loan Agreement and the Indenture may be limited or restricted by state laws concerning the use of assets of charitable corporations and by federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity applicable to the availability of specific performance, and may be substantially delayed in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Series 2012 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and

by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors.

Bankruptcy

The ability of the Trustee to exercise rights under the Loan Agreement and the Indenture may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles related to or affecting the enforcement of creditors' rights generally. In the event the University becomes a debtor under the United States Bankruptcy Code, 11 U.S.C. 10 *et seq.* (the "Bankruptcy Code"), payments under the Loan Agreement may be stayed or under certain circumstances subject to avoidance and the interests of the Trustee with respect to payments on the Series 2012 Bonds may not extend to payments acquired after the commencement of such a bankruptcy case.

Changes in Bond Rating

The lowering or withdrawal of the investment ratings initially assigned to the Series 2012 Bonds could adversely affect the market price for the Series 2012 Bonds.

Tax-Exempt Status of the University

The Internal Revenue Service (the "IRS") has issued a determination letter to the effect that the University is an organization described in Section 501(c)(3) of the Code and therefore is exempt from federal income taxation. In addition, the University is generally exempt from ad valorem property taxation. As a charitable organization, the University is subject to a number of requirements affecting its operations. The IRS has recently indicated that it is giving greater scrutiny to certain tax-exempt organizations, including colleges and universities.

The failure of the University to remain qualified as a tax-exempt organization could affect the amount of funds available to pay debt service on the Series 2012 Bonds. Such failure, as well as failure to comply with certain legal requirements (see the caption "TAX MATTERS" herein), could cause the inclusion of interest on the Series 2012A Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012A Bonds. The Indenture does not provide for the payment of any additional interest or penalty in the event of the taxability of the interest on the Series 2012A Bonds. The University has covenanted to take no action which would adversely affect the exemption from federal income taxation of interest paid on the Series 2012A Bonds.

The possible modification or repeal of certain existing federal income tax laws or property tax laws or other loss by the University of the present advantages of such laws, or any legislation imposing additional conditions on tax-exempt organizations, could adversely impact the financial position of the University.

Other Risk Factors

There are many diverse risks not within the University's control, which may have a substantial effect on the ability of the University to generate revenues sufficient to pay debt service on the Series 2012 Bonds. Such risks include possible adverse use of adjoining land, changes in administration or key personnel, fire, flood, tornado or other natural disaster, condemnations, changes in demand for such facilities, decline in general economic conditions, and changing governmental regulations.

TAX MATTERS

General

In the opinion of Adams and Reese LLP, Bond Counsel, to be delivered simultaneously with the delivery of the Series 2012 Bonds, under existing law, interest on the Series 2012 Bonds (i) is excluded from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. However, it should be noted that for certain corporations, interest on the Series 2012 Bonds is taken into account in determining adjusted current earnings. It is the further opinion of Bond Counsel that the Series 2012 Bonds and the interest thereon are exempt from all State of Tennessee state, county and municipal taxation except for

inheritance, transfer and estate taxes and except to the extent that the Series 2012 Bonds and the interest thereon are included within the measure of certain privilege and excise taxes imposed under Tennessee law. The opinion to be rendered by Bond Counsel on the date of delivery of the Series 2012 Bonds is expected to be in substantially the form of **APPENDIX D** hereto.

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations to be excludable from gross income for federal income tax purposes. The University has covenanted that it will, to the extent permitted by the laws of the State, comply with the requirements of the Code in order to maintain the exclusion from gross income of interest on the Series 2012 Bonds for federal income tax purposes. The opinion of Bond Counsel will assume continuing compliance by the University with the covenants of the Bond Documents pertaining to those sections of the Code which affect the exclusion from gross income of all amounts treated as interest on the Bonds for federal income tax purposes. If the University should fail to comply with the covenants in the Bond Documents, all amounts treated as interest on the Series 2012 Bonds could become taxable from the date of delivery thereof, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Series 2012 Bonds.

Although Bond Counsel will render an opinion that all amounts treated as interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2012 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel will express no opinion regarding any such consequences. Purchasers of the Series 2012 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series 2012 Bonds.

From time to time there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2012 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Series 2012 Bonds should consult his or her own tax advisor regarding any proposed federal tax legislation.

The approving opinion of Adams and Reese LLP, Bond Counsel, is limited to the matters set forth therein and Bond Counsel is not passing upon the accuracy or completeness of this Official Statement. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

Alternative Minimum Tax Considerations

Interest on the Series 2012 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations under the Code. Interest on the Series 2012 Bonds will, however, be included in the adjusted current earnings (for example, the income, including interest on obligations such as the Series 2012 Bonds, used in reports or statements to shareholders or owners or in reports to creditors) of certain corporations, and the alternative minimum taxable income of such corporations must be increased by 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress or in the various states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Series 2012 Bonds.

Prospective purchasers of the Series 2012 Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation.

It cannot be predicted with certainty whether or in what form any proposed legislation might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2012 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2012 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2012 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Discount

Certain of the Series 2012 Bonds maturing on November 1 in the years 2029, 2030 and 2031 (collectively, the "OID Bonds") are sold at an original issue discount. The difference between the initial public offering price, as set forth on the inside cover page hereof, of the OID Bonds and their stated principal amount payable at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes and which is exempt from all taxation in the State of Tennessee subject to the caveats and provisions described above under "General."

In the case of an owner of an OID Bond, the amount of original issue discount which is treated as having accrued with respect to such OID Bond, is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such an OID Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual OID Bond, on days which are determined by reference to the maturity date of such OID Bond. The amount treated as original issue discount on such OID Bond for a particular semiannual period is equal to (i) the product of (a) the yield to maturity for such OID Bond and (b) the amount which would have been the tax basis of such OID Bond at the beginning of the particular semiannual period if held by the original purchaser, (ii) less the amount of any payments on such OID Bond during the semiannual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which would have been treated as original issue discount for such purposes during all prior periods. If such an OID Bond is sold between compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of OID Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such OID Bonds as of any date, with respect to the accrual of original issue discount for such OID Bonds purchased on the secondary markets and with respect to the state and local tax consequences of owning such OID Bonds.

Original Issue Premium

The Series 2012 Bonds maturing on November 1 in the years 2013 through 2028, and certain of the Series 2012 Bonds maturing on November 1 in the years 2029, 2030 and 2031 (collectively, the "Premium Bonds") are being offered and sold to the public at a price in excess of their stated principal amounts.

Such excess is characterized as a "bond premium" and must be amortized by an investor purchasing a Premium Bond on a constant yield basis over the remaining term of the Premium Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium related to a tax-exempt bond for federal income tax purposes. However, as bond premium is amortized, it reduces the investor's basis in the Premium Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond's basis for purposes of computing gain or loss in connection with the sale or exchange of the Premium Bond.

CONTINUING DISCLOSURE UNDERTAKING

The Board has determined that no financial or operating data concerning the Board is material to an evaluation of the offering of the Series 2012 Bonds or to any decision to purchase, hold or sell the Series 2012 Bonds, and the Board will not provide any such information. The University will undertake all responsibilities for any continuing disclosure to Bondholders as described below, and the Board will have no liability to the Bondholders or any other person with respect to Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (“SEC”).

At the request of the Underwriters in order to assist the Underwriters in complying with paragraph (b)(5) of Rule 15c2-12, the University has agreed to enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with the Trustee, as the initial exclusive disclosure dissemination agent (the “Dissemination Agent”), in substantially the form set forth in Appendix E herein. Pursuant to the Continuing Disclosure Agreement, the University will covenant for the benefit of the holders and beneficial owners of the Series 2012 Bonds to furnish certain financial information and operating data relating to the University (the “Annual Report”) by not later than 180 days after the end of each fiscal year of the University, commencing with the fiscal year ending May 31, 2012, and to provide notices of the occurrence of certain enumerated events. The University will agree to file each Annual Report and all notices of events with the Dissemination Agent for filing with the Municipal Securities Rulemaking Board at emma.msrb.org. The specific nature of the information to be contained in the Annual Report and notices of events and the procedures for filings are set forth in the form of Continuing Disclosure Agreement included as Appendix E herein.

The Dissemination Agent will assume only the duties specifically set forth in the Continuing Disclosure Agreement. The Dissemination Agent’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement will be limited to the extent the University has provided such information to the Dissemination Agent as required by the Continuing Disclosure Agreement. The Dissemination Agent will have no duty with respect to the content of any disclosure filing or notice prepared by the University pursuant to the terms of the Continuing Disclosure Agreement, will have no duty or obligation to review or verify any information in any disclosure filing or any other information, disclosures or notices provided to it by the University, and will not be deemed to be acting in any fiduciary capacity for the University, the beneficial owners of the Series 2012 Bonds or any other party. The Dissemination Agent will have no responsibility for the University’s failure to report to the Dissemination Agent a Listed Event (as defined in Appendix E) or a duty to determine the materiality thereof. The Dissemination Agent will have no duty to determine, and will have no liability for failing to determine, whether the University has complied with the Continuing Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the University at all times.

UNDERWRITING

Stephens Inc., on behalf of itself and SunTrust Robinson Humphrey (collectively, the “Underwriters”), has entered into a Bond Purchase Agreement (the “Bond Purchase Agreement”) whereby the Underwriters have agreed to purchase the Series 2012 Bonds, subject to certain conditions, at a purchase price of \$58,827,035 (comprised of the principal amount of the Series 2012 Bonds of \$55,965,000, plus net original issue premium of \$3,197,825, less an underwriting discount of \$335,790). The obligation of the Underwriters to purchase the Series 2012 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the delivery of specified opinions of counsel and of a certificate of the University that there has been no material adverse change in its condition (financial or otherwise) from that set forth in this Official Statement.

The Underwriters may offer and sell the Series 2012 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2012 Bonds into investment trusts) and others at prices different from the initial public offering prices stated on the inside cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriters.

SunTrust Robinson Humphrey, Inc. (“STRH”), one of the Underwriters of the Series 2012 Bonds, has an affiliate, SunTrust Investment Services, Inc. (“STIS”), which will also participate in the retail distribution of the Series 2012 Bonds. STRH may share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2012 Bonds with STIS. STRH and STIS are both subsidiaries of SunTrust Banks, Inc.

RATINGS

The Series 2012 Bonds have been rated “Baa1” and “BBB+” by Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Corporation (“S&P”), respectively. As part of the rating process, the University furnished certain information to Moody’s and S&P, including certain information that may not be included in this Official Statement.

Further explanation of the significance of the ratings may be obtained from the rating agency assigning such rating. A rating is not a recommendation to buy, sell or hold the Series 2012 Bonds. There is no assurance that such ratings will not be withdrawn or revised downward. Any such action, if taken, could have an adverse effect on the market price of the Series 2012 Bonds.

Neither the Board, the Underwriters nor the University has undertaken any responsibility after issuance of the Series 2012 Bonds to assume maintenance of such ratings or to oppose any revision or withdrawal of such ratings.

LEGALITY

Certain legal matters relating to the authorization and validity of the Series 2012 Bonds will be subject to the approving opinion of Adams and Reese LLP, Nashville, Tennessee, Bond Counsel, (the “Bond Opinion”) which will be furnished at the expense of the University, in substantially the form set forth as **Appendix D** herein. The Bond Opinion will be limited to matters relating to the authorization and validity of the Series 2012 Bonds and to the tax status of interest thereon as described in “**Tax Matters**” herein, and will make no statement as to the financial resources of the Board or the University or the ability of either to provide for payment of the Series 2012 Bonds or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the Series 2012 Bonds.

Certain legal matters will be passed on for the Board by Adams and Reese LLP, Nashville, Tennessee, for the University by Guenther, Jordan & Price, Nashville, Tennessee, and for the Underwriters by Bass, Berry and Sims PLC, Nashville, Tennessee.

LITIGATION

As of the date of this Official Statement, there is no litigation of any nature to which the Board is a party pending or, to the knowledge of the Board, threatened against it to restrain or enjoin the issuance, sale, execution or delivery of the Series 2012 Bonds, or in any way contesting or affecting the validity of the Series 2012 Bonds, or any proceedings taken with respect to the issuance or sale thereof, or in any way contesting or affecting the validity of or application of the moneys or the security provided for the Series 2012 Bonds.

The University is exposed to asserted and unasserted claims encountered in the ordinary course of business. After consulting with its counsel, management of the University has determined that, as of the date of this Official Statement, there are no legal actions pending or threatened against the University which, if adversely determined against the University, would have a material adverse effect on the University’s financial position or future operations or the transactions contemplated by the Loan Agreement, the Indenture or this Official Statement.

FINANCIAL STATEMENTS

The financial statements of the University as of and for the fiscal year ended May 31, 2011, are included in **Appendix B** of this Official Statement and have been audited by Crosslin & Associates P.C., independent certified public accountants, to the extent and for the periods indicated in their report thereon included in **Appendix B** herein. Unaudited financial information for the nine-month periods ended February 28, 2011 and February 29, 2012 is included in Appendix A under “Financial Matters – Unaudited Financial Information for the Nine-Month Periods Ended February 28, 2011 and February 29, 2012.”

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ADDITIONAL INFORMATION

All quotations from, and summaries and explanations of the Indenture, the Loan Agreement and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions. All references herein to the Series 2012 Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. The agreements of the Board with the owners of the Series 2012 Bonds are fully set forth in the Indenture, and neither any advertisement of the Series 2012 Bonds or this Official Statement is to be construed as constituting an agreement with the purchasers or owners of the Series 2012 Bonds. The Appendices attached hereto are a part of this Official Statement. All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

APPROVAL OF OFFICIAL STATEMENT

The Board and the University have deemed the Official Statement final as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule").

The execution of this Official Statement has been duly authorized by the University.

BELMONT UNIVERSITY

By: /s/ Robert Fisher, Ph.D.

President

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APPENDIX A

CERTAIN INFORMATION CONCERNING BELMONT UNIVERSITY

General

Belmont University (the “University” or “Belmont”) is a private, four-year, coeducational university located in Nashville, Tennessee. The University was originally known as Belmont College and offered elementary school through junior college education to women from 1890 until 1913. Belmont College merged with Ward Seminary in 1913 to become the prestigious Ward-Belmont School for Women, which operated until 1951. In 1951, the school became a four year co-educational college affiliated with the Tennessee Baptist Convention and changed its name to Belmont College. As graduate and professional programs were added to the curriculum, the institution changed its name from Belmont College to Belmont University in 1991. In 2007, the University’s relationship with the Tennessee Baptist Convention ended. Belmont University is currently among the fastest growing universities in the nation with more than 6,300 students, enrolled for the 2011-2012 school year, hailing from every state and 25 countries.

Mission Statement

The University is a student-centered Christian community providing an academically challenging education that empowers men and women of diverse backgrounds to engage and transform the world with disciplined intelligence, compassion, courage and faith.

Facilities and Properties

The University occupies a seventy-five-acre campus in southeast Nashville at 16th Avenue South and Wedgewood Avenue and consists of approximately 52 buildings. Campus facilities are designed to maintain continuity with the historical architectural style of the campus, to offer experiential learning spaces and with a focus on sustainability and efficiency. The principal physical facilities include the following: 12 academic buildings; 12 dormitories; various other buildings (including Barbara Massey Hall, Beaman Student Life Center, Belmont Heights Baptist Church, Belmont Mansion and Bell Tower, Lila D. Bunch Library and Curb Event Center); and underground utility systems. The net book value of total plant assets of the University at May 31, 2011 was approximately \$262,801,360.

Nashville, Tennessee

The University is located in Nashville – the capital of the State of Tennessee. Local industries include tourism, printing and publishing, technology manufacturing, music production, higher education, finance, insurance, automobile production and health care management. In 2012, Nashville was named as one of the 15 best U.S. cities for work and family by *Fortune* magazine and ranked as the most popular U.S. city for corporate relocations by *Expansion Management* magazine. In 2010, *Forbes* magazine named Nashville one of America’s most affordable cities. In 2011, *Forbes* named Nashville the fourth best city for college graduates, and *Rolling Stone* named Nashville as the best music scene in the country. The Nashville Metropolitan Statistical Area has a population of more than 1.5 million people and includes fifteen colleges and universities, including Belmont, Vanderbilt University, Tennessee State University, Fisk University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute, Trevecca Nazarene University and Middle Tennessee State University. Total higher education enrollment exceeds 65,000 students annually.

Board of Trustees

The University is organized and operates as a nonprofit corporation under the provisions of Tennessee law. The legal authority and the governance and management of the affairs of the University are vested in its Board of Trustees (the “Board of Trustees” or the “Board”).

The members of the Board of Trustees come from diverse backgrounds and are leaders in business, government, law, education, religion and community service and civic organizations. Trustees are elected by a majority vote of the Board, and the University’s bylaws specify that the Board shall consist of not less than 10 nor more than 50 Trustees. Board members serve a 3-year term and may succeed themselves in office.

The Board meets three times per year – in January, May and August – and the Board’s Executive Committee is authorized to conduct business between meetings of the Board. The Executive Committee is comprised of the Chairman, Vice-Chairman and Secretary of the Board along with the Chairpersons of all other Board committees. Such Board committees are: Academic Affairs, Athletics, Audit, Development, Finance and Operations, Nominating and Evaluation, Student Life, University Ministries and Investment.

The thirty-eight Board Trustees for 2011-2012 and their professions are listed below:

Board of Trustees

<u>Trustee</u>	<u>Occupation</u>	<u>Term Expires</u>
Marty Dickens ⁽¹⁾	Former President of AT&T – Tennessee	2012
Randall Baskin	Owner & Manager – The Randall Baskin Co.	2012
Lee Beaman	Chairman & CEO – Beaman Automotive Group	2013
John E. Benz ⁽³⁾	Financial Consultant	2012
Catherine Bird	Tournament Services Manager – PGA Tour	2012
T.B. Boyd	President & CEO – R.H. Boyd Publishing Company	2012
Vincent Campbell	Pastor – Kayne Avenue Missionary Baptist Church	2013
Dan Fouch ⁽¹⁰⁾	Senior VP – J.J.B. Hilliard, W.L. Lyons	2012
Cordia Harrington ⁽⁷⁾	President & CEO – Tennessee Bun Company	2013
Stephen O. Hewlett ⁽⁵⁾	President – Education Facilities, Inc.	2012
Damon Hininger	President & CEO – Corrections Corporation of America	2014
Steve Horrell	President – Horrell Properties	2012
Gordon E. Inman	Owner & Broker – Inman Investments	2013
Milton Johnson	President & CFO – Hospital Corporation of America	2012
Helen Kennedy	Church and Civic Leader	2012
Ron Knox	Financial Representative – Northwestern Mutual	2014
Bill Lee ⁽⁶⁾	CEO – Lee Company	2013
Cynthia Leu	President – Lumos	2012
Drew Maddux ⁽⁹⁾	President – Maddux Realty & Construction Co.	2013
Bruce Maxwell	Pastor – Lake Providence Missionary Baptist Church	2013
Carolyn McAfee	Vice President – Hallmark Systems, Inc.	2014
Stuart McWhorter	President – Clayton Associates	2014

<u>Trustee</u>	<u>Occupation</u>	<u>Term Expires</u>
Andrea Overby	Community Activist	2014
Carolyn J. Patton	Church and Civic Leader	2013
James T. Redd	President – Air Conditioning Service, Inc.	2013
Jon Roebuck	Pastor – Woodmont Baptist Church	2014
Barbara Massey Rogers	Private Investor	2012
Anne Russell	Attorney – Adams and Reese, LLP	2013
Joseph V. Russell	Co-CEO – Elan-Polo, Inc.	2014
Dana Sherrard ⁽⁸⁾	Dana Sherrard Interiors, ASID	2013
Mike Smith ⁽²⁾	Pastor – First Baptist Church	2012
Larry Thrailkill	Attorney – Thrailkill, Harris, Wood & Boswell	2013
Terry Turner	President & CEO – Pinnacle Financial Partners	2012
Paul Walker	Retired Businessman	2014
Robert Whisenant ⁽⁴⁾	Partner, WSW, CPAs	2012
Jim Wilkerson	Retired Businessman	2012
Bryan Williams	Pastor – Church of the Messiah	2012
Eugenia Winwood	Company Director – Wincraft Music, Inc.	2013

- ⁽¹⁾ Chair of the Executive Committee of the Board of Trustees
⁽²⁾ Chair of the Academic Affairs Committee of the Board of Trustees
⁽³⁾ Chair of the Athletics Committee of the Board of Trustees
⁽⁴⁾ Chair of the Audit Committee of the Board of Trustees
⁽⁵⁾ Chair of the Development Committee of the Board of Trustees
⁽⁶⁾ Chair of the Finance and Operations Committee of the Board of Trustees
⁽⁷⁾ Chair of the Nominating and Evaluation Committee of the Board of Trustees
⁽⁸⁾ Chair of the Student Life Committee of the Board of Trustees
⁽⁹⁾ Chair of the University Ministries Committee of the Board of Trustees
⁽¹⁰⁾ Chair of the Investment Committee of the Board of Trustees

Trustee Emeriti

<u>Trustee</u>	<u>Occupation</u>
Mike Curb	Chairman, Curb Records
Morris Early	Retired
Henry Horrell	President and Owner, Horrell Realty & Investments
Clayton McWhorter	Chairman, Clayton Associates
George West, III	Partner, Precision Color Inc.

Senior Administrative Officers

The President of the University has the chief responsibility for the day-to-day operation of the University. The Provost and Vice Presidents are responsible to the President and through the President to the Board of Trustees. The senior administrative officers of the University currently are as follows:

Robert Fisher, Ph.D., President. B.S.B.A., Henderson State University, 1970; M.B.A., University of Memphis, 1971; Ph.D., University of Arkansas, 1975. Dr. Fisher became president of the University in April of 2000. Prior to his appointment at Belmont, Dr. Fisher was Vice President for Academic Affairs at Arkansas State University for four years and was Dean of the School of Business at Henderson State University, his alma mater, for ten years. Dr. Fisher is co-author with his wife of *Life Is a Gift: Inspiration from the Soon Departed* and is also co-author with Dr. Bo Thomas, the University's Vice President of University Advancement, of *Real Dream Teams: Seven Practices Used by World-Class Team Leaders to Achieve Extraordinary Results*.

Thomas Burns, Ph.D., Provost. B.S., Dickinson College, 1991; Ph.D., Vanderbilt University, 1998. Dr. Burns joined Belmont as Provost in 2011. Prior to his employment at Belmont, Dr. Burns served as the Assistant Dean for Academic Affairs for the Yale University Graduate School of Arts and Sciences where, among other things, he oversaw the Fulbright program and participated in the creation, implementation and interpretation of the policies for the graduate school. From July 2006 through December 2010, Dr. Burns served as Associate Provost for Academic Administration at Millersville University of Pennsylvania, where in cooperation with the Provost, he was responsible for the division of academic affairs, including the general education program, the First Year Experience, global education and community and academic partnerships among other duties.

Susan West, Ed.D., Vice President and Chief of Staff. B.A., Middle Tennessee State University, 1981; M.A., Western Kentucky University, 1987; Ed.D., Vanderbilt University, 2005. Dr. West currently serves as Vice President and Chief of Staff in the Office of the President at Belmont but has worked at the University for more than two decades. During her twenty-four years at Belmont, she has worked in Admissions, Special Academic Programs and the University College and has served as an advisor to the Black Student Association. She also is a member of the Peer Learning Network of Belmont. Dr. West is published in the *Encyclopedia of Higher Education* and, in the summer of 2006, attended the Harvard Institute for Educational Management.

Steven Lasley, Vice President of Finance and Operations. B.S., University of Tennessee – Chattanooga, 1979; M.B.A., University of Georgia, 1993. Prior to coming to Belmont, Mr. Lasley worked as a CPA with the accounting firm Deloitte & Touche from 1987-1991 and 1993-1994 and also was the Vice President and Chief Financial and Administrative Officer for The Christie Cookie Co. in Nashville, Tennessee from 1994-1997. Mr. Lasley has served as the Vice President of Finance and Operations for the University since 1997 and also currently serves as the financial advisor to the President and Board of Trustees as well as the administrative lead for the Investment Committee of the Board.

Jason Rogers, Ed.D., J.D., Vice President for Administration and University Counsel. B.A., Baylor University, 1985; J.D., Vanderbilt University, 1988; Ed.D., University of Pennsylvania, 2005. Dr. Rogers joined Belmont University in 1998 after ten years of practicing law in Nashville. While in private practice, he advised and represented nonprofit corporations, including numerous colleges and universities. Dr. Rogers is admitted to practice law in Tennessee (active) and Texas (inactive) as well as before the United States District Courts for the Middle District of Tennessee, Northern District of Georgia and the United States Court of Appeals for the Eleventh Circuit.

Bethel (Bo) Thomas, Ph.D., Vice President for University Advancement. B.S., University of Tennessee, 1962; M.S., University of Tennessee, 1967; Ph.D., Ohio University, 1970. Dr. Thomas has been with Belmont since 2003 and, prior to Belmont, directed his own consulting group specializing in organizational development, leadership, change management and team learning. He has contributed to the *Wall Street Journal*, *National Business Employment Weekly*, and *International Journal of Consultation* and has also co-authored a book with the University president entitled *Real Dream Teams: Seven Practices Used by World-Class Team Leaders to Achieve Extraordinary Results*. In addition to *Real Dream Teams*, Dr. Thomas co-authored *Partnering for Excellence* for the United States Department of Transportation in 1998 and wrote *The Leading Change* series for ALLTEL in 2003.

Todd Lake, Ph.D., Vice President for Spiritual Development. B.A., Harvard University, 1982; M.Div. Southern Seminary, 1989; Ph.D., Boston College, 1997. Prior to his current position, Dr. Lake served as the Dean for University Life

at Baylor University. Also, prior to his appointment at Belmont, he and his wife served as chaplains at Harvard and co-pastors of a Baptist church in Cambridge Massachusetts. Dr. Lake has taught on the undergraduate and graduate level in the areas of theology, education and business ethics and is the author of numerous articles on the power of Christian faith to effect personal and societal change.

Academic Programs

The University is comprised of the following colleges: the College of Arts and Sciences, College of Business Administration, Gordon E. Inman College of Health Sciences and Nursing, College of Pharmacy, College of Visual and Performing Arts, Mike Curb College of Entertainment and Music Business, College of Law, University College and School of Religion.

The College of Arts and Sciences is divided into four schools: the School of Sciences, the School of Humanities, the School of Education and the School of Social Sciences. Within the School of Sciences are the Departments of Biology, Chemistry and Physics, Math and Computer Science and Psychological Science, which offer the following undergraduate areas of study: Applied Discrete Mathematics, Biochemistry & Molecular Biology, Biology, Chemistry, Computer Science, Engineering Physics, Environmental Science, Mathematics, Medical Imaging Technology, Medical Physics, Medical Technology, Neuroscience, Pharmaceutical Studies, Physics, Psychological Science, Science & Engineering Management and Web Programming and Development. Within the School of Humanities are the Departments of English, Foreign Languages and Philosophy, which offer the following undergraduate areas of study: Asian Studies, Classics, English, European Studies, French, German, Spanish and Philosophy. Within the School of Education are the Departments of Education and Sport Science, which offer the following undergraduate areas of study: Elementary Education, Exercise Science, Middle School Education, Physical Education/Health and Secondary Education. Finally, within the School of Social Sciences are the Departments of Communication Studies, History, Media Studies, Political Science and Sociology, which offer the following undergraduate areas of study: Audio & Video Production, Communication Studies, History, International Politics, Journalism, Mass Communication, Corporate Communications, Politics & Public Law, Political Science, Public Relations and Sociology. Master's degrees in Sports Administration, Education, Teaching and English are also available from the College of Arts and Sciences.

The College of Business Administration serves undergraduate, graduate, and executive education students, providing nationally recognized, AACSB International-accredited business education programs. It is comprised of the Undergraduate School of Business Administration and the Jack C. Massey Graduate School of Business Administration. The Undergraduate School of Business Administration offers Bachelor of Business Administration degrees in the following majors: Accounting, Economics, Entrepreneurship, Finance, General Business, Information Systems Management, International Business, Management and Marketing. It also offers Bachelor of Science degrees in Economics and International Economics. Students interested in pursuing a Master's of Business Administration degree upon completion of their undergraduate business degree may apply for the University's Accelerated MBA Program offered through the Jack C. Massey Graduate School of Business. Given the necessary prerequisite preparation, the program can be completed in twelve months. In 2011, for the third year, the University's Undergraduate School of Business Administration achieved a Top 100 national ranking in *Bloomberg BusinessWeek's* annual report on "The Best Undergrad B-Schools" in the U.S. The University has the highest ranked undergraduate business school in the State.

The Jack C. Massey Graduate School of Business was founded with a stated mission of providing business education and thoughtful leadership to the working professionals of Nashville and the middle Tennessee region. To this end, the University offers each of its graduate business programs in an evening format (6:15 – 9:00 p.m., Monday – Thursday) that is work-friendly and can be customized to meet the needs and career goals of each student. The flagship programs in the University's Jack C. Massey Graduate School of Business are the Professional MBA (PMBA) (work experience required) and Master of Accountancy (MACC), which boast a combined alumni of 1,600. The University recently added an Accelerated MBA (AMBA) program (two or less years of prior work experience), which offers a similar weeknight program for less-experienced professionals seeking to gain a solid foundation in business skills as they launch their business careers. AACSB International has accredited both the business and accounting programs, and Belmont is the only private university in Tennessee to hold this distinction. The University's part-time MBA program achieved a Top 50 national ranking in *BusinessWeek's* 2011 report on "Top Part-Time MBA programs."

The Gordon E. Inman College of Health Sciences and Nursing offers both undergraduate and graduate programs to University students. Undergraduate programs offered are a Bachelor of Science in Nursing and a Bachelor of Social Work.

The University has four nursing laboratories, including the Centennial Nursing Lab, the Margaret Lindsey Warden Nursing Lab, the Skyline Acute Skills Lab, and the Summit Maternal/Pediatrics Lab. Since 2001, Belmont's first-time nursing licensure exam (NCLEX) pass rate has been at 97 percent. The current pass rate for social work certification is 100%. In addition to these undergraduate offerings, students may pursue graduate degrees in nursing, occupational therapy and physical therapy. The graduate nursing program offers a Master of Science in Nursing with two areas of specialization: the advanced practice clinical specialization as a Family Nurse Practitioner and a track offering preparation in nursing education with a concentration in adult health. The University offers two graduate degree programs in occupational therapy: the Doctorate of Occupational Therapy (OTD) and the Weekend Master of Science in Occupational Therapy (MSOT). Belmont is only one of four universities that grants an entry level occupational therapy doctorate with advanced practice skills. The University also offers the Doctorate of Physical Therapy (DPT), which is a post-baccalaureate degree conferred upon successful completion of a doctoral level professional program.

Belmont's College of Pharmacy offers the Doctor of Pharmacy degree. The College of Pharmacy's first class of 75 students enrolled in August 2008. Students in the Doctor of Pharmacy program will be trained in numerous pharmacy locations throughout Nashville and the middle Tennessee region. Over 25% of the curriculum is provided in a variety of pharmacy arenas, including state government, hospitals, clinics, retail pharmacies, industry, insurance facilities, and other facilities.

Within the University's College of Visual and Performing Arts are its Department of Art, School of Music and Department of Theatre and Dance. In the Department of Art, students may earn Bachelor of Fine Arts degrees in Art Education, Design Communications and Studio Art. B.A. degrees are also available in Art History or Art (Studio). Belmont's School of Music offers a B.F.A. in Musical Theatre, a Bachelor of Arts with a Major in Music and nine majors under the Bachelor of Music (Church Music, Commercial Music, Composition, Music Education, Music with an Outside Minor, Musical Theatre, Performance, Piano Pedagogy, Theory). The University also offers a Master of Music Degree in the areas of Church Music, Commercial Music, Composition, Music Education, Pedagogy (keyboard, instrumental, vocal), or Performance (keyboard, instrumental, vocal). There are two programs of study in Belmont's Department of Theatre and Dance: a B.F.A. in four emphasis areas – Performance, Directing, Production Design, and Theatre Education – and a B.A., which requires that students be exposed to the cultural, socio-political, and historical knowledge that serves as the core of the theatrical tradition and current professional standards.

The University's most unique college is its Mike Curb College of Entertainment and Music Business. In 1971, Belmont pioneered a music business program designed to prepare its students for administrative, creative, and technical careers in the music industry. Thirty years later, the program has grown into the Mike Curb College of Entertainment and Music Business with a faculty comprised of academic scholars, authors, entrepreneurs, songwriters, producers, and sound engineers. This College offers degrees in four areas of study: Music Business, Entertainment Industry Studies, Songwriting and Audio Engineering Technology. Students can get a BBA or MBA in Music Business, a BA or BS in Entertainment Industry Studies, a B.S. or B.A. in Songwriting and a B.A. or B.S. in Audio Engineering Technology. In addition to taking courses offered on campus, students may apply to participate in the Belmont East and Belmont West programs, located in New York and California, respectively. These programs are designed to expand the student's cultural experiences and career opportunities by offering access to internships in film, television, and theatre in Nashville's sister entertainment cities. Students in these programs reside for a full semester in New York City or Los Angeles and study with local professionals. *Rolling Stone* and *Time* magazines have both ranked Belmont as having one of the "top music business schools" in the United States.

Belmont's College of Law opened in the fall of 2011 with 132 full-time students. When at full capacity, the College of Law expects to enroll approximately 350 students. The College of Law is approved by the Tennessee Board of Law Examiners, which makes its graduates eligible to sit for the Tennessee bar examination. Belmont is in the process of applying for accreditation from the American Bar Association ("ABA"), which will allow its graduates to sit for the bar examination in all U.S. states and jurisdictions. Belmont is eligible for provisional ABA approval in 2013 and, if awarded provisional approval in 2013, will be eligible for full approval in 2015. The College of Law will soon be housed in a new building, the Randall and Sadie Baskin Center, which includes a state-of-the-art law library. The College of Law is integrated into Belmont's main campus and, in addition to the traditional Juris Doctor program, offers certificates in Entertainment and Music Business Law and Health Law. One of the more notable members of the College of Law's faculty is Alberto R. Gonzales, former Attorney General of the United States.

Belmont's University College is its adult-degree program and offers degrees in Liberal Studies, Business Administration and Computer Network Technology as well as a B.S. in Nursing. It is designed to provide opportunities for students to complete their degrees on a flexible time schedule and at a variety of convenient locations.

The University's School of Religion offers students a rigorous program of academic study that combines traditional courses in religion and innovative classes in practical ministry. The School offers undergraduate majors in Biblical Languages, Biblical Studies, Religions Studies, Christian Ethics, Christian Leadership, Religion and the Arts and Ministry. The School also offers minors in Biblical Languages, Biblical Studies, Religious Studies, Christian Ethics, Christian Leadership, Religion and the Arts, Spiritual Formation and Youth Ministry and Church Recreation. None of the classes are taught from a particular denominational point of view.

Campus Life

During the Fall Term of the 2011-12 academic year, approximately 2,638 Belmont students (approximately 53% of the undergraduate student body) resided on campus in 12 residence halls. A portion of the proceeds of the Series 2012 Bonds will be applied to finance the construction, improvement and equipping of campus residence halls, including refinancing temporary construction financing for such residence halls (see "PLAN OF FINANCE – The 2012 Project" herein).

Student organizations provide the framework for student initiatives and involvement in University processes. The Belmont Student Government Association serves as the governing body for all students, and there are numerous other student organizations to meet particular interests.

Accreditation

The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools ("SACS"), which is the major accrediting body for colleges in the area encompassing the southeastern United States and Texas. The University's accreditation by SACS was reaffirmed in January of 2012 and is effective for a period of ten (10) years.

Faculty

For the 2011 Fall Term, Belmont had a full-time faculty of approximately 316 members and a part-time faculty of approximately 341 members. Approximately 78% of the full-time faculty held doctoral degrees or other terminal degrees in their respective fields, and approximately 53% of the full-time faculty were tenured.

The University has in place a planning process which serves as a guide to the decisions about the need for additional faculty in various departments. When new or replacement positions are available, national searches are conducted to identify appropriate individuals. Faculty salaries are competitive with other four-year undergraduate institutions. An active faculty development program is maintained which provides support for faculty to participate in professional meetings, attend workshops and seminars, travel to conduct research at specific centers and/or to search special collections. The University has a standard Sabbatical Leave Program which is funded by the University and which provides replacement faculty while individuals are on leave.

Admissions and Enrollment

The average ACT (or the American College Test) score for entering freshmen for the 2011-12 year was 26. The average high school grade point average for these entering freshman was a 3.53, and 33% of these freshman graduated in the top 10% of their high school class.

For the Fall Term of the 2011-12 year, the student body represented 50 states, the District of Columbia and twenty-five countries.

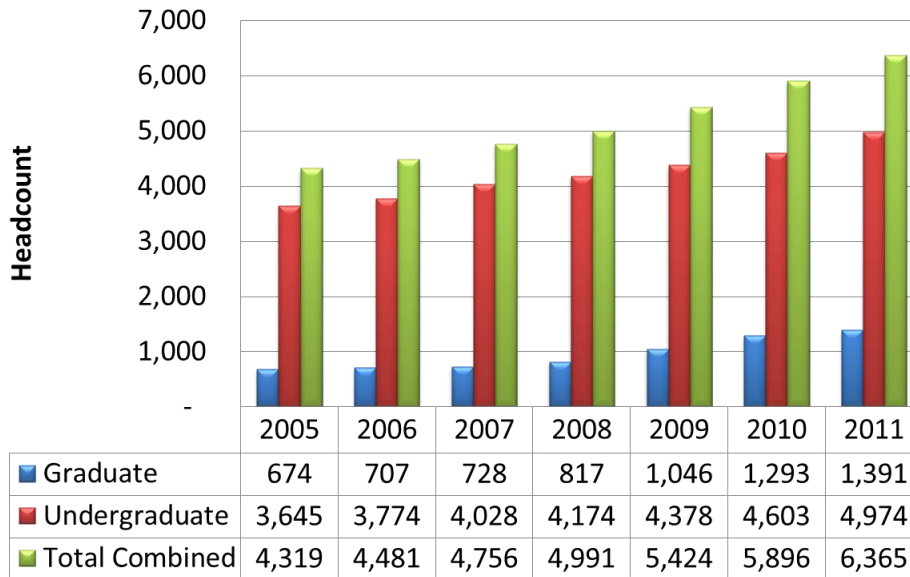
The following table reflects applications, acceptances and matriculants statistics for the Fall Term of the six most recent academic years:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>5 Year % Increase</u>
Applications	3,309	3,940	4,156	4,361	4,346	4,972	50%
Acceptances	2,266	2,123	2,726	3,066	3,261	3,828	69%
Matriculants	1,155	1,189	1,325	1,360	1,433	1,741	51%

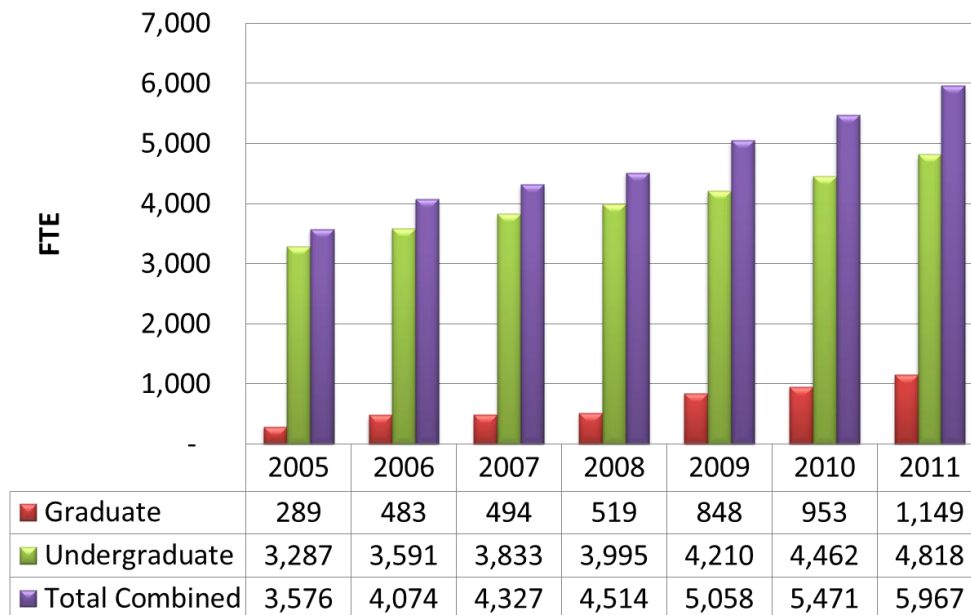
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The University's headcount enrollment and full-time equivalent enrollment for the Fall Term of the seven most recent academic years is as follows:

Headcount Enrollment



Full-Time Equivalent Enrollment



Student Enrollment by Discipline

The following table shows actual student enrollment by degree at the University for the Fall Term of the five most recent academic years:

	<u>Fall 2007</u>	<u>Fall 2008</u>	<u>Fall 2009</u>	<u>Fall 2010</u>	<u>Fall 2011</u>
Bachelor of Arts	589	655	708	790	789
Bachelor of Business Administration	1,600	1,560	1,494	1,497	1,613
Bachelor of Fine Arts	105	113	125	125	154
Bachelor of Music	510	503	525	547	570
Bachelor of Science	685	812	947	1,047	1,188
Bachelor of Science in Nursing	350	386	423	467	479
Bachelor of Social Work	41	28	33	37	46
Doctorate of Jurisprudence	0	0	0	0	132
Doctorate of Physical Therapy	99	97	98	98	99
Doctorate of Occupational Therapy	56	75	73	68	73
Doctorate of Pharmacy	0	75	147	220	294
Master of Arts in Special Education	0	0	1	24	26
Master of Accountancy	69	55	77	87	91
Master of Arts	38	39	35	42	34
Master of Arts Teaching	95	96	200	289	165
Master of Business Administration	154	135	154	170	169
Master of Education	21	32	48	60	63
Master of Music	48	46	41	50	49
Master of Science in Nursing	23	30	43	54	68
Master of Science/Occupation Therapy	64	64	61	63	60
Master of Sports Administration	37	57	58	63	62
Non-Degree Seeking	73	59	49	54	49
Undeclared	99	100	107	84	92

Transfer Student Applications, Acceptances and Enrollment

The numbers of applications, acceptances and enrollments for transfer students for the Fall Term of the five most recent academic years are as follows:

<u>Fall Term</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Applications	1,174	1,092	1,141	1,023	1,090
Acceptances	411	806	600	556	667
Percent Accepted	35.0%	73.8%	52.6%	54.4%	61.2%
Enrollments	385	393	369	407	578
Percent of Acceptances Enrolled	93.7%	48.8%	61.5%	73.2%	86.7%

Sophomore Retention

The University continues to work toward enhancing its retention rate. Retention as measured from first year to sophomore year is summarized below for the Fall Term for the five most recent academic years:

<u>Fall Term</u>	<u>Percent of Prior Year First Year Students Who Return as Sophomores</u>
2007	80.0%
2008	81.0%
2009	82.0%
2010	81.5%
2011	80.2%

Student Charges

The approximate amount of annual charges for full-time undergraduate students as of the Fall Term for the five most recent academic years appear below:

<u>Academic Year</u>	<u>Tuition</u>	<u>Fees</u>	<u>Room & Board</u>	<u>Total</u>
2007-08	\$18,780	\$4,900	\$9,592	\$33,272
2008-09	20,070	5,100	10,000	35,170
2009-10	21,270	6,040	10,665	37,975
2010-11	22,530	6,450	11,680	40,660
2011-12	23,770	6,840	12,150	42,760

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The following table sets forth the University's student tuition and mandatory student charges in 2011-12 in relation to other competing educational institutions.

2011-12 Tuition and Mandatory Student Charge Comparison

Stetson University	\$38,400
University of Redlands	\$37,002
University of Scranton	\$36,042
Wagner College	\$35,820
Ithaca College	\$35,278
Arcadia University	\$33,490
Hamline University	\$31,948
Butler University	\$31,110
Valparaiso University	\$31,040
Pacific Lutheran University	\$30,950
North Central College	\$29,733
University of Evansville	\$28,620
The Sage Colleges	\$28,000
Nazareth College	\$27,232
Westminster College (UT)	\$27,182
Belmont University	\$24,960
Samford University	\$23,963
Hampton University	\$23,245
Drury University	\$21,043
Average	\$30,266

Source: New American Colleges and Universities Comparison

Student Financial Aid

The University admits students based on their ability to succeed in college, rather than on their ability to pay. The University attempts to provide educational opportunities for good students with limited financial resources through a combination of grants, loans and work opportunities. Funds for student financial aid are provided from institutional resources, federal and state governments, and private donors, foundations and organizations. The University participates in numerous federal student aid programs including the Federal Perkins Loan Program, the Federal Supplemental Educational Opportunity Grant Program, the Federal Pell Grant Program, the Federal College Work Study Program and the Federal Family Educational Loan Program.

For the Full Term of the 2011-12 academic year, approximately 75% of the University's full-time students received financial aid, and the distribution of student financial aid among grants/scholarships, loans and work is:

<u>Type of Aid</u>	<u>Percentage of all student aid</u>
Loans	61.20%
Grants and scholarships	38.18%
Work	<u>00.62%</u>
Total	<u>100.00%</u>

The total student aid received by students of the University for the five most recent fiscal years is set forth below.

Financial Aid Received by Students

	<u>For the Fiscal Year Ended May 31</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
College funded grants/scholarships	\$12,884,036	\$13,225,630	\$15,009,578	\$17,730,046	\$19,846,805
Federal grants ⁽¹⁾	1,644,655	1,818,909	2,212,158	3,179,157	3,837,957
State grants ⁽²⁾	3,365,038	4,127,942	4,991,293	5,092,460	5,167,100
Other gift aid ⁽³⁾	757,436	1,024,567	1,137,400	1,294,329	1,380,942
Loans ⁽⁴⁾	25,229,531	30,361,905	36,526,109	43,455,404	48,466,887
Federal Work-Study	366,925	253,533	393,264	575,458	493,847
Total student aid	<u>\$44,247,621</u>	<u>\$50,812,486</u>	<u>\$60,269,802</u>	<u>\$71,326,854</u>	<u>\$79,193,538</u>

⁽¹⁾ Includes Federal Pell Grants, Federal Supplemental Educational Opportunity Grants and other federally funded grant scholarship programs.

⁽²⁾ Includes Tennessee TSAC, HOPE, Foster Care and Special Education Grants.

⁽³⁾ Includes scholarships and subsidized and unsubsidized grants from foundations, civic groups, and other organizations.

⁽⁴⁾ Includes Federal Stafford Student Loans, Federal Perkins Loans and other student loans.

In addition, the University estimates that for the fiscal year ended May 31, 2011, approximately \$25,412,532 was loaned to parents under the Federal Parent Loans for Undergraduate Students program.

Belmont Athletics

The Belmont Bruins compete in 17 men's and women's sports in National Collegiate Athletic Association (NCAA) Division I. The Bruins joined the Atlantic Sun Conference 10 years ago and will soon move to the Ohio Valley Conference in 2012-13, also a Division I NCAA Conference.

The Bruins are recipients of the Atlantic Sun All-Academic Trophy for the eighth year, an award given to the conference university with the highest GPA among all its athletic teams. In 2012, the Bruins' men's basketball team won the Atlantic Sun Conference and Tournament titles, earned an NCAA Tournament berth for the fifth time in seven years and received a season-high 13 votes in the AP Top 25 poll in 2011.

To be named an Atlantic Sun All-Academic, a student-athlete must achieve a 3.0 GPA or higher in the classroom during their semester of competition. The student-athlete must participate in a conference sponsored sport and be on the team's final squad list. The sports sponsored by the conference members are cross country, soccer, volleyball, basketball, tennis, golf, softball, baseball, indoor and outdoor track & field.

Belmont University's intercollegiate athletic program enhances campus life, promotes Belmont University and provides meaningful educational experiences for student-athletes in a student-centered Christian community. This community challenges student-athletes from diverse backgrounds physically, intellectually and spiritually and enables them to engage and transform the world. Belmont Athletics accomplishes this mission by:

- Promoting character development, leadership qualities, sportsmanship and academic excellence in the University's student-athletes.
- Employing coaches and staff members who exhibit and promote high standards of integrity and ethical behavior, including good sportsmanship and a desire to assist student-athletes in reaching their academic and athletic potential.
- Supporting equitable opportunity for its coaches, staff and student-athletes, regardless of gender or ethnicity.

- Promoting academic integrity by recruiting student-athletes who are capable of success in the university's academic program, providing academic support and student development opportunities and effectively integrating student-athletes into the student body.
- Complying with and following the principle of institutional control in operating its athletics program in a manner that is consistent with the letter and the spirit of the NCAA, the conference and the university rules and regulations.
- Producing the best athletic teams possible to compete in NCAA Division I.
- Providing facilities, scholarships and program enhancements essential for the coaches to recruit and teach, and the athletes to train and compete.

FINANCIAL MATTERS

General

The audited financial statements of the University as of, and for the fiscal year ended, May 31, 2011 are attached hereto as **Appendix B**.

Endowment and Similar Funds

Endowment and Similar Funds consist of unrestricted, temporarily restricted, and permanently restricted funds. Unrestricted funds are those from which both the principal and income generally may be expended for any purpose directed by the Board of Trustees. Temporarily restricted funds are those from which income must be spent for the purposes specified by the donor and the principal is restricted for a specified period of time or until the purposes specified by the donor are met by actions of the University. Permanently restricted funds are those from which income must be spent for the purposes specified by the donor and the principal is restricted for perpetuity. The investment and custody of the University's Endowment and Similar Funds are the responsibility of the Investment Committee of the Board of Trustees.

The University's endowment spending policy is designed to produce spending levels from endowment income which grow in a smooth and predictable manner. In general, the spending rate for the fiscal year ended May 31, 2011 was 4% of the four-year weighted average market value of the Endowment Fund. Earnings on the Endowment Funds are distributed based on the University's spending policy and may be used for the purposes for which the relevant endowment was designated.

The asset allocation of the University's endowment as of the end of each of the last three fiscal years was as follows:

	As of May 31, 2011		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Endowment Funds:			
Permanently Restricted	52,200,116	53,234,861	53,950,014
Temporarily Restricted	3,729,602	7,216,452	16,457,051
Unrestricted	<u>1,701,043</u>	<u>5,090,601</u>	<u>5,425,729</u>
Total	<u>57,630,761</u>	<u>65,541,914</u>	<u>75,832,794</u>

The above asset allocation is based on quoted market values for these investments for which readily determinable fair market values are available and on the fair market values of other investments, as provided to the University by its external investment managers.

Other Indebtedness

In addition to the Series 2012 Bonds and the approximately \$10,000,000 construction loan being retired with a portion of the proceeds of the Series 2012 Bonds, the University has the following outstanding debt and long-term payment obligations:

1. ***\$50,900,000 The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee Educational Facilities Revenue Refunding Bonds (Belmont University Project), Series 2012, all of which are held by SunTrust Bank (the “SunTrust Bonds”).*** The University is obligated under a Loan Agreement with the Board and a Guaranty and Credit Agreement (the “SunTrust Bond Documents”) to pay debt service on the SunTrust Bonds. The University’s obligation to pay debt service on the SunTrust Bonds is unsecured. The University has executed a Negative Pledge Agreement in favor of SunTrust Bank, covenanting not to convey or encumber the real properties comprising the University’s campus.
 - *General Terms* – principal on the SunTrust Bonds is payable annually through 2025 in installments averaging approximately \$3,600,000. Interest is payable at variable rates, calculated based on 30-day LIBOR plus a credit spread that increases in inverse proportion to the University’s credit rating.
 - *No Tender Right* – the SunTrust Bonds are not subject to tender by SunTrust Bank.
 - *Interest Rate Swaps* -- \$32,900,000 of the SunTrust Bonds are subject to interest rate hedging agreements between the University and SunTrust Bank, pursuant to which the University has effectively fixed the interest rate on this portion of the SunTrust Bonds at all-inclusive rates ranging from approximately 4.69% to approximately 5.78%. The interest rate swaps amortize through 2025. The University’s obligations under the interest rate swaps are unsecured. If the University were to terminate these interest rate swaps at the present time, the University would owe SunTrust Bank a termination payment of approximately \$5,000,000.
 - *Financial Covenants* – the financial covenants in the SunTrust Bond Documents are identical to those in the Loan Agreement for the Series 2012 Bonds.
 - *Defaults and Remedies* – the SunTrust Bond Documents provide for typical events of default and permit but do not necessarily require SunTrust Bank, as holder of the SunTrust Bonds, to accelerate the payment of the entire principal amount of the SunTrust Bonds upon an event of default, including a default with respect to the Series 2012 Bonds. The SunTrust Bond Documents also provide for an event of default thereunder if the Debt Service Reserve Fund for the Series 2012 Bonds is drawn upon. The University is currently in compliance with the terms of the SunTrust Bond Documents.

2. ***\$21,850,000 The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee Educational Facilities Revenue Refunding Bond (Belmont University Project), Series 2010, all of which is held by Regions Bank (the “Regions Bond”).*** The University is obligated under a Loan Agreement with the Board (the “Regions Bond Documents”) to pay debt service on the Regions Bond. The University’s obligation to pay debt service on the Regions Bond is unsecured. The University has executed a Negative Pledge Agreement in favor of Regions Bank, covenanting not to convey or encumber the real properties comprising the University’s campus.
 - *General Terms* – principal on the Regions Bond is payable in semi-annual installments of \$575,000 through 2030. Interest is payable at variable rates, calculated based on 30-day LIBOR plus a credit spread that increases in inverse proportion to the University’s credit rating.
 - *Tender Right* – Regions Bank has the option to tender the Regions Bond for payment in full on December 31, 2019, December 31, 2022 and December 31, 2027.
 - *Interest Rate Swap* – The University is not party to any interest rate swaps with respect to the Regions Bond.
 - *Financial Covenants* – the financial covenants in the Regions Bond Documents are identical to those in the Loan Agreement for the Series 2012 Bonds.
 - *Defaults and Remedies* – the Regions Bond Documents provide for typical events of default and permit Regions Bank, as holder of the Regions Bond, to accelerate the payment of the entire principal amount of the Regions Bond upon an event of default, including a default with respect to the Series 2012 Bonds. The Regions Bond Documents also provide for an event of default thereunder if the Debt Service Reserve Fund for the Series 2012 Bonds is drawn upon. The University is currently in compliance with the terms of the Regions Bond Documents.

3. **Payment Obligation to Tennessee Baptist Convention.** As part of its separation from the Tennessee Baptist Convention, the University agreed to pay the Tennessee Baptist Convention \$250,000 annually through 2048. This is an unsecured obligation of the University.
4. **Secured Note Payable to Belmont Heights Baptist Church.** The University owes approximately \$2,217,719 to Belmont Heights Baptist Church under the terms of a promissory note issued in 2003 in connection with the University's purchase of the Belmont Heights Baptist Church facilities for use as a University performance hall. The note is secured by a mortgage lien on the Belmont Heights Baptist Church property. The note requires equal quarterly payments of principal and interest in the amount of \$74,239 through 2023.

Sources of Revenue

The University derives its current revenues primarily from the following basic sources: its educational and general activities and the activities of its auxiliary enterprises. Other sources of revenue include investment income, grants, gifts and other miscellaneous revenues. See "Selected Historical Financial Information" hereinafter for the University's total operating revenues, by source, for each of the last five (5) fiscal years.

Based on the University's budget for its fiscal year ending May 31, 2012, approximately 84.38% of the University's current revenue base for the fiscal year 2012 year is projected to come from tuition, student fees and other charges. Income from auxiliary operations is projected to contribute approximately 13.27% of the current revenue base; endowment income is projected to generate approximately .22% of the current revenue base; grants are projected to contribute approximately 0% of the current revenue base; private gifts are projected to contribute approximately .44% of the current revenue base; and other sources are projected to contribute approximately 1.69% of the current revenue base.

Selected Historical Financial Information

The following table sets forth selected historical financial information for the University for the five fiscal years ended May 31, 2011. The information for the five fiscal years ended May 31, 2011 was derived from the University's audited financial statements for the periods indicated and should be read in conjunction with the audited financial statements as of, and for the fiscal year ended May 31, 2011 and the related notes thereto included as **Appendix B** hereto. Such financial statements were audited by Crosslin & Associates, P.C., independent certified public accountants. The report of Crosslin & Associates, P.C. on the financial statements as of, and for the fiscal year ended May 31, 2011 is included in **Appendix B**. Audited financial statements for prior fiscal years are available from the University upon request and upon payment of copying and shipping charges by contacting Steven Lasley, Vice President of Finance and Operations, at (615) 460-6404. In the opinion of the University, there has been no material adverse change in the financial condition of the University since May 31, 2011.

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Historical Summary of Revenues and Expenses

(based on audited financial statements)

	Fiscal Years Ended May 31				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Changes in unrestricted net assets:					
Revenues, gains, and other support:					
Tuition and fees	\$ 81,813,737	\$ 91,858,501	\$104,272,076	\$118,055,277	\$134,786,833
Less student aid	<u>13,784,163</u>	<u>13,804,991</u>	<u>16,258,759</u>	<u>19,045,578</u>	<u>21,399,404</u>
Tuition and fees, net	68,029,574	78,053,510	88,013,317	99,009,699	113,387,429
Government grants and contracts	50,646	46,937	45,398	7,884	10,283
Private gifts and grants	1,766,463	1,466,315	1,772,281	1,050,108	1,224,986
Investment return designated for endowment spending payout	8,765,630	(202,777)	1,526,569	1,554,463	1,630,482
Sales and services of auxiliary enterprises	15,328,537	16,890,930	18,326,359	19,308,931	21,919,998
Other Sources	2,942,121	2,752,452	5,240,721	4,162,637	4,822,295
Net assets released from restrictions	13,593,888	5,194,567	8,049,420	3,840,045	12,916,149
Investment return, net of amounts designated for endowment spending payout			(5,570,429)	4,110,351	2,026,331
Change in value of interest rate swaps	(424,107)	(1,611,837)	(2,061,280)	(122,901)	(32,966)
Changes in value of annuity agreements	<u>(242,626)</u>	<u>(348,204)</u>	<u>(362,924)</u>	<u>(440,254)</u>	<u>(435,622)</u>
Total revenues, gains, and other support	<u>109,810,126</u>	<u>102,241,893</u>	<u>114,979,432</u>	<u>132,480,963</u>	<u>157,469,365</u>
Expenses:					
Instruction and research	32,262,315	36,283,101	41,640,450	45,974,910	51,182,440
Academic support	8,575,215	10,091,986	11,237,840	11,933,426	13,296,642
Student services	13,464,017	13,747,521	16,482,670	17,440,547	18,532,891
Institutional support	12,364,048	17,324,350	18,772,795	13,577,469	13,884,801
Auxiliary enterprises	<u>13,102,882</u>	<u>16,175,354</u>	<u>14,742,149</u>	<u>14,482,571</u>	<u>13,376,007</u>
Total expenses	<u>79,768,477</u>	<u>93,622,312</u>	<u>102,875,904</u>	<u>103,408,923</u>	<u>110,272,781</u>
Change in unrestricted net assets	<u>30,041,649</u>	<u>8,619,581</u>	<u>12,103,528</u>	<u>29,072,040</u>	<u>47,196,584</u>
Change in temporarily restricted net assets:					
Governmental gifts and grants	1,179,486	1,088,252	1,430,752	1,329,175	1,425,017
Private gifts and grants	1,939,171	3,661,826	3,555,460	2,274,986	12,809,332
Gain (loss) on endowment and other investments, net of amount appropriated for endowment spending payout	2,665,430	1,072,055	(13,908,231)	3,866,582	9,240,599
Changes in value of annuity agreements	(19,461)	(114,104)	(23,576)	(23,576)	(23,176)
Net assets released from restrictions	(13,593,888)	(5,187,979)	(8,044,520)	(3,705,515)	(12,916,149)
Other Sources	<u>452,123</u>	<u>453,834</u>	<u>89,908</u>	<u>381,950</u>	<u>336,495</u>
Change in temporarily restricted net assets	<u>(7,377,139)</u>	<u>973,884</u>	<u>(16,900,207)</u>	<u>4,123,602</u>	<u>10,872,118</u>
Change in permanently restricted net assets:					
Private gifts and grants	3,072,681	1,111,769	1,805,398	1,194,093	738,367
Donor reclassification of gift from (to) temporarily restricted net assets	-	(6,588)	(4,900)	(134,530)	-
Changes in value of annuity agreements	<u>(67,070)</u>	<u>(91,022)</u>	<u>(37,247)</u>	<u>(24,818)</u>	<u>(23,214)</u>
Change in permanently restricted net assets	<u>3,005,611</u>	<u>1,014,159</u>	<u>1,763,251</u>	<u>1,034,745</u>	<u>715,153</u>
Total change in net assets	<u>25,670,121</u>	<u>10,607,624</u>	<u>(3,033,428)</u>	<u>34,230,387</u>	<u>58,783,855</u>
Net assets at beginning of year	\$165,604,682	\$191,274,803	\$201,882,427	\$198,848,999	\$233,079,386
Net assets at end of year	<u>\$191,274,803</u>	<u>\$201,882,427</u>	<u>\$198,848,999</u>	<u>\$233,079,386</u>	<u>\$291,863,241</u>

Unaudited Financial Information for the Nine-Month Periods Ended February 28, 2011 and February 29, 2012

The following tables set forth selected unaudited financial information for the University for the nine-month periods ended February 28, 2011 and February 29, 2012.

Consolidated Statement of Financial Position (Unaudited) as of February 29, 2012 (with comparative totals for 2011)

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Cash & short term securities	\$ 58,797,724	\$ 54,035,157
Cash - Construction account - Regions	950,870	1,650,558
Total Cash	59,748,595	55,685,715
Investments-Unrestricted Endowment	5,240,892	5,148,518
Investments-Restricted Endowment	69,779,997	68,540,291
Investments-(Annuities/Other)	6,024,580	6,274,170
Investments- Other Unrestricted	3,330,209	3,317,483
Total Investments	84,375,678	83,280,462
Accounts receivable, net	11,461,737	9,710,263
Contributions receivable	12,895,476	8,600,954
Notes receivable, other	1,667,793	1,707,793
Notes receivable, students	1,951,513	1,967,066
Inventories	748,763	803,793
Prepaid and other	49,886	73,361
Bond Issue costs, net	554,885	596,560
Property, buildings, and equipment	294,051,346	253,984,688
Beneficial interest in trusts	339,752	320,349
Total assets	<u>\$ 467,845,424</u>	<u>\$ 416,731,004</u>
<u>LIABILITIES</u>		
Accounts payable/Construction payable	7,760,409	8,458,032
Deferred revenue/Refunds payable	75,415	160,482
Annuities payable	2,084,186	2,197,564
Advances from Federal government	1,348,246	1,356,910
Bonds and notes payable	90,328,143	94,022,084
Long term settlement	3,532,420	3,558,585
Deposits held for others	555,338	494,058
Total liabilities	105,684,156	110,247,715
<u>NET ASSETS</u>		
Unrestricted	270,432,415	214,408,726
Campus Projects and Events	5,415,833	5,192,865
Total unrestricted net assets	275,848,247	219,601,591
Temporarily restricted	29,902,562	33,744,710
Permanently restricted	56,410,458	53,136,988
Total net assets	362,161,268	306,483,289
Total liabilities and net assets	<u>\$ 467,845,424</u>	<u>\$ 416,731,004</u>

Comparison of Unrestricted Activity Budget vs. Actual (Unaudited)
For the period ending: February 29, 2012 and 2011

	2/29/2012				2/28/2011			
	<u>Adjusted Annual Budget</u>	<u>Unrestricted Operating Actual</u>	<u>Favorable (Unfavorable) Variance</u>	<u>% Used</u>	<u>Adjusted Annual Budget</u>	<u>Unrestricted Operating Actual</u>	<u>Favorable (Unfavorable) Variance</u>	<u>% Used</u>
Revenue								
Tuition and fees	139,176,833	146,323,054	7,146,221	105.13%	119,300,481	126,096,797	6,796,498	105.70%
Student fees	5,609,474	7,702,947	2,093,473	137.32%	6,484,141	6,931,757	447,616	106.90%
Less scholarships and fellowships	(21,088,391)	(21,116,183)	(27,792)	100.13%	(18,706,309)	(17,941,774)	764,535	95.91%
Net tuition and fees	123,697,916	132,909,818	9,211,902	107.45%	107,078,313	115,086,962	8,008,649	107.48%
Governmental grants and contracts	0	45	45	0.00%	47,500	8,109	(39,391)	17.07%
Private gifts, grants and contracts	750,000	208,656	(541,344)	27.82%	750,000	98,434	(651,566)	13.12%
Income (losses) on investments	380,000	191,306	(188,694)	50.34%	380,000	345,142	(34,858)	90.83%
Auxiliary enterprise income	22,775,105	20,273,579	(2,501,526)	89.02%	22,259,562	19,339,858	(2,919,704)	86.88%
Other sources	2,892,714	902,402	(1,990,312)	31.20%	1,192,118	691,499	(500,619)	58.01%
Total Revenue and other support	150,415,735	154,485,807	3,990,072	102.65%	131,707,493	135,570,002	3,862,509	102.93%
Expenses								
Instruction	43,553,257	32,535,408	11,017,849	74.70%	40,175,667	28,916,592	11,259,075	71.98%
Academic support	12,929,493	9,256,972	3,672,521	71.60%	10,547,371	7,864,111	2,683,260	74.56%
Student services	16,735,279	11,936,950	4,798,329	71.33%	14,542,093	10,769,319	3,772,774	74.06%
Institutional support	14,834,954	9,477,005	5,357,949	63.88%	14,566,923	9,843,321	4,723,602	67.57%
Operation and maintenance of plant	10,144,687	7,584,050	2,560,637	74.76%	10,045,884	7,609,301	2,436,583	75.75%
Debt Service (P&I)	8,571,386	7,766,671	804,715	90.61%	9,757,161	10,005,900	(248,739)	102.55%
Auxiliary enterprises	5,411,359	4,936,234	475,125	91.22%	5,728,306	4,505,762	1,222,544	78.66%
Total Expenses	112,180,415	83,493,288	28,687,127	74.43%	105,363,405	79,514,307	25,849,098	75.47%
Excess of Revenue over Expenses	38,315,320	70,992,518	32,677,198	185.28%	26,344,088	56,055,695	29,711,607	212.78%

Comparison Statement of Activities (unaudited)
For the periods ending February 29, 2012 and 2011

	2/29/2012						2/28/2011					
	Unrestricted Operating	Unrestricted Non-operating	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total	Unrestricted Operating	Unrestricted Non-operating	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total
Revenue												
Tuition and fees	146,323,054	283,275	146,606,329	-		146,606,329	126,096,979	249,470	126,346,449	500		126,346,949
Student fees	7,702,947	611,676	8,314,623	21,000		8,335,623	6,931,757	1,084,681	8,016,438	-		8,016,438
Less: scholarships and fellowships	(21,116,183)	(5,750)	(21,121,933)	(3,539,835)		(24,661,768)	(17,941,774)	(12,315)	(17,954,089)	(3,858,782)		(21,812,871)
Net tuition and fees	132,909,818	889,201	133,799,019	(3,518,835)	-	130,280,184	115,086,962	1,321,836	116,408,798	(3,858,282)	-	112,550,515
Government grants and contracts	45	-	45	1,062,264		1,062,310	8,109	-	8,109	1,017,972		1,026,081
Private gifts, grants and contracts	208,656	1,034,792	1,243,448	2,855,141	976,754	5,075,344	98,434	997,579	1,096,013	7,083,916	437,269	8,617,198
Income (losses) on investments	191,306	1,086,218	1,277,524	(1,302,914)	(1,545)	(26,936)	345,142	3,777,330	4,122,472	6,709,339	(334)	10,831,477
Auxiliary enterprise income	20,273,579	1,256,778	21,530,357	48,339	3,859	21,582,554	19,339,858	1,180,367	20,520,224	22,455	5,545	20,548,224
Other sources	902,402	1,302,976	2,205,379	183,659	489,304	2,878,342	691,499	1,722,935	2,414,433	288,476	667,569	3,370,478
Changes in value of swap agreements	-	(1,033,604)	(1,033,604)			(1,033,604)	-	450,942	450,942	-		450,942
Changes in value of annuity		(107,517)	(107,517)			(107,517)		585,757	585,757	-		585,757
Total revenue and other support	154,485,807	4,428,845	158,914,652	(672,346)	1,468,371	159,710,677	135,570,002	10,036,746	145,606,748	11,263,876	1,110,049	157,980,673
Expenses												
Instruction	32,535,408	2,353,515	34,888,922	815,323	-	35,704,245	28,916,592	2,572,590	31,489,182	1,111,209	-	32,600,391
Academic support	9,256,972	402,995	9,659,968	309,867	-	9,969,835	7,864,111	219,019	8,083,130	264,826	-	8,347,956
Student services	11,936,950	372,994	12,309,942	1,321,453	-	13,631,395	10,769,319	361,034	11,130,351	5,784,324	-	16,914,675
Institutional support	9,477,005	110,355	9,587,359	26,381	-	9,613,740	9,843,321	115,638	9,958,959	6,262	-	9,965,221
Operation and maintenance of plant	7,584,050	-	7,584,050			7,584,050	7,609,301		7,609,301	-	-	7,609,301
Annuity payments	-	312,061	312,061	17,082	18,165	347,308	-	326,411	326,411	17,482	17,411	361,304
Debt service (P&I)	7,766,671	(5,110,576)	2,656,094		-	2,656,094	10,005,900	(7,052,600)	2,953,300	-	-	2,953,300
Construction	-	32,694,159	32,694,159		-	32,694,159	-	11,790,535	11,790,535	-	-	11,790,535
Depreciation expense	-	4,950,000	4,950,000		-	4,950,000	-	5,220,000	5,220,000	-	-	5,220,000
Capital expenses	-	(36,203,254)	(36,203,254)		-	(36,203,254)	-	(20,468,128)	(20,468,128)	-	-	(20,468,128)
Auxiliary enterprises	4,936,234	3,320,364	8,256,597	208,515		8,465,112	4,505,762	4,213,035	8,718,797	563,418		9,282,215
Total expenses	83,493,288	3,202,612	86,695,898	2,698,621	18,165	89,412,684	79,514,307	2,702,467	76,811,838	7,747,520	17,411	84,576,769
Change in net assets	70,992,518	1,226,233	72,218,751	(3,370,967)	1,450,206	70,297,990	56,055,695	12,739,213	68,794,908	3,516,356	1,092,639	73,403,902

Liquidity

Cash and cash equivalents for fiscal year ended May 31, 2011 totaled approximately \$38,090,542, as compared to cash and cash equivalents for fiscal year ended May 31, 2010 of approximately \$26,941,047. In fiscal year ended May 31, 2011, the University had unrestricted net assets, exclusive of net investments in plant, of approximately \$200,881,103. Pursuant to the Loan Agreement, the University must maintain expendable funds of not less than \$40,000,000. "Expendable funds" equals cash plus the market value of "unrestricted investments" as described and defined in the investment disclosure section set forth in the annual audited financial statements. As of May 31, 2011, the University had \$43,798,160 in expendable funds.

Budget Process

In preparing the budget for each fiscal year (June 1 – May 31), the University limits the use of revenues derived from the investment of its Endowment and Similar Funds for operations to an amount equal to a specified percentage, determined by the Board of Trustees and subject to donor-imposed stipulations, of the market value of the University's Endowment and Similar Funds. This amount, together with projected tuition, fees, charges, gifts, and grants is then, after consultation among and between the University's President, department chairpersons, deans, Vice-Presidents and the Provost, allocated among the various University departments. In addition, the University derives revenues from the operation of its auxiliary enterprises, principally food service and student housing. The University budgets revenues and expenditures of its auxiliary enterprises, so that positive cash flow is generated from the operation of its auxiliary enterprises. The University uses this positive cash flow to support its educational initiatives.

Fundraising Activities

Each year, the University receives revenues from gifts, bequests and contributions from a variety of sources, including individuals, corporations and foundations. The total unrestricted private gifts, bequests and grants received by the University for the past five fiscal years are as follows:

	Fiscal Years Ended May 31				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Gifts and Bequests Received	\$6,778,315	\$6,239,910	\$7,133,139	\$4,519,187	\$14,772,685

Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any. Only contributions determined to be collectible by management are recorded, thus no allowance for doubtful contributions is recorded. The total contributions receivable for the University as of the end of the past five fiscal years were as follows:

	Fiscal Years Ended May 31				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Contributions Receivable (net of allowance for doubtful contributions)	\$10,430,984	\$8,759,944	\$8,642,813	\$7,952,005	\$13,932,753

Fundraising expenses for the fiscal years ended May 31, 2007, 2008, 2009, 2010 and 2011 are approximately \$1,892,770, \$1,962,543, \$2,251,089, \$2,276,377, and \$2,419,831, respectively.

Compensation

In fiscal year 2011, approximately 64% of the University's operating expenses were devoted to salaries and fringe benefits. With regard to non-faculty staff, there are 22 executive and administrative full-time positions, approximately 229 professional full-time positions, approximately 223 support, physical plant and public safety full-time positions and approximately 31 part-time positions. The University believes that its compensation of its employees is fair and adequate and that its relationship with its employees is good. Currently, there are no organized labor unions comprised of University employees.

Related Organizations

Midtown Capital Investments, LLC, Belmont Real Estate Holdings I, LLC, and Belmont Real Estate Holdings II, LLC are wholly owned subsidiaries of the University formed for the purpose of future development of campus facilities. The financial statements and footnotes shown in **Appendix B** are presented on a consolidated basis with all significant intercompany balances and transactions eliminated in the consolidation.

Future Capital Projects

The University is currently in the process of constructing a 64,796 square foot concert hall, a 71,100 square foot building and 190,000 square foot parking garage for the College of Law, and Phase 1A of the 112,000 square foot Bruin Hills residence hall, designed to accommodate approximately 298 students, and 180,000 square foot accompanying parking garage designed to accommodate approximately 562 vehicles, which are all projected for completion between June and August of 2012. It is also planning to finish completion of dining facilities in August of 2012. A 160,000 square foot academic building is scheduled for completion in June of 2014. Belmont is planning on completing Phase 1B of its Bruins Hills residence hall, designed to accommodate approximately 200 students, in December of 2012 and Phase 2 of Bruin Hills, designed to accommodate approximately 400 students, in August of 2014. Bruin Hills residence hall Phases 1A and 1B are being financed with a portion of the Series 2012 Bonds. Bruin Hills Phase 2 may be financed with additional debt in an amount of approximately \$40,000,000 to be incurred at a future date. All other capital projects are expected to be funded from sources other than debt.

Insurance

The University currently carries the following insurance coverages: comprehensive general liability that includes coverage for property damage and bodily injury claims; umbrella liability protection; hospital professional liability; business automobile insurance; a workers' compensation and employer's liability policy, including all-risk coverage for flood and earthquake for the University's facilities and contents; business income coverage for loss of dormitory income; exhibition art coverage; comprehensive boiler and machinery coverage; and trustee liability insurance. The University believes that its current insurance coverage is adequate as to amount and type and conforms to that which is standard for the industry. The University periodically reviews its insurance coverage to ensure adequate coverage.

Litigation

Like other similar institutions, the University is subject to a variety of suits and claims in the ordinary course of its business. However, in the opinion of the University, as of the date of this Official Statement there is no litigation pending, or to the knowledge of the University, threatened, which would have a material adverse impact on the University's operations or financial condition.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF BELMONT UNIVERSITY

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BELMONT UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

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BELMONT UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Belmont University
Nashville, Tennessee

We have audited the accompanying consolidated statement of financial position of Belmont University (the "University") as of May 31, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2010 consolidated financial statements and, in our report dated August 23, 2010, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Belmont University as of May 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Crosslin + Associates, P.C.

Nashville, Tennessee
October 28, 2011

BELMONT UNIVERSITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MAY 31, 2011
(with comparative totals for 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents (Note S)	\$ 38,090,542	\$ 26,941,047
Investments (Notes F and S)	83,115,084	73,357,238
Accounts receivable, net (Note B)	1,182,141	1,152,389
Contributions receivable, net (Note E)	13,932,753	7,952,005
Notes receivable from others (Note C)	2,281,369	2,230,902
Notes receivable - students, net (Note D)	1,846,821	1,933,819
Inventories	748,763	803,793
Prepaid expenses and other assets	651,013	640,298
Bond issue costs, net (Note I)	554,885	596,560
Property, buildings, and equipment, net (Note G)	262,801,360	238,736,560
Beneficial interests in trusts (Note H)	<u>339,752</u>	<u>487,350</u>
Total assets	<u>\$405,544,483</u>	<u>\$354,831,961</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 9,517,033	\$ 10,974,586
Deferred revenue	2,223,827	1,627,180
Annuities payable (Note M)	2,084,186	2,197,564
Deposits held for others	596,840	516,805
Advances from Federal government	1,321,821	1,352,230
Notes payable and long-term obligation (Note J)	<u>97,937,535</u>	<u>105,084,210</u>
Total liabilities	<u>113,681,242</u>	<u>121,752,575</u>

NET ASSETS

Unrestricted	200,881,103	153,684,519
Temporarily restricted (Note O, P and Q)	37,032,124	26,160,006
Permanently restricted (Note O, P and Q)	<u>53,950,014</u>	<u>53,234,861</u>
Total net assets	<u>291,863,241</u>	<u>233,079,386</u>
Total liabilities and net assets	<u>\$405,544,483</u>	<u>\$354,831,961</u>

See accompanying notes to consolidated financial statements.

BELMONT UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2011
(with comparative totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Operating activities:			
Revenue and other support:			
Tuition and fees	\$ 134,786,833	\$ -	\$ -
Less scholarships and fellowships (Note N)	<u>(21,399,404)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	113,387,429	-	-
Governmental grants and contracts	10,283	1,425,017	-
Private gifts and grants	1,224,986	2,945,299	-
Endowment spending payout	1,630,482	-	-
Sales and services of auxiliary enterprises	21,919,998	-	-
Other sources	4,822,295	336,495	-
Net assets released from restrictions and reclassifications (Note Q)	<u>4,238,102</u>	<u>(4,238,102)</u>	<u>-</u>
Total revenue and other support	<u>147,233,575</u>	<u>468,709</u>	<u>-</u>
Expenses:			
Instruction	51,182,440	-	-
Academic support	13,296,642	-	-
Student services	18,532,891	-	-
Institutional support	13,884,801	-	-
Auxiliary enterprises	<u>13,376,007</u>	<u>-</u>	<u>-</u>
Total expenses	<u>110,272,781</u>	<u>-</u>	<u>-</u>
Net increase in net assets from operating activities	36,960,794	468,709	-
Non-operating activities:			
Private gifts and grants	-	9,864,033	738,367
Net assets released from restrictions (Note Q)	8,678,047	(8,678,047)	-
Net gain on endowment and other investments, net of amount appropriated for endowment spending payout	2,026,331	9,240,599	-
Change in value of interest rate swaps (Note J)	(32,966)	-	-
Change in value of annuity agreements	<u>(435,622)</u>	<u>(23,176)</u>	<u>(23,214)</u>
Net increase in net assets from non-operating activities	<u>10,235,790</u>	<u>10,403,409</u>	<u>715,153</u>
Net increase in net assets	47,196,584	10,872,118	715,153
Net assets at beginning of year	<u>153,684,519</u>	<u>26,160,006</u>	<u>53,234,861</u>
Net assets at end of year	<u>\$ 200,881,103</u>	<u>\$ 37,032,124</u>	<u>\$ 53,950,014</u>

Total	
<u>2011</u>	<u>2010</u>
\$ 134,786,833	\$ 118,055,277
<u>(21,399,404)</u>	<u>(19,045,578)</u>
113,387,429	99,009,699
1,435,300	1,337,059
4,170,285	3,325,094
1,630,482	1,554,463
21,919,998	19,308,931
5,158,790	4,544,587
-	-
<u>147,702,284</u>	<u>129,079,833</u>
51,182,440	45,974,910
13,296,642	11,933,426
18,532,891	17,440,547
13,884,801	13,577,469
<u>13,376,007</u>	<u>14,482,571</u>
<u>110,272,781</u>	<u>103,408,923</u>
37,429,503	25,670,910
10,602,400	1,194,093
-	-
11,266,930	7,976,933
(32,966)	(122,901)
<u>(482,012)</u>	<u>(488,648)</u>
<u>21,354,352</u>	<u>8,559,477</u>
58,783,855	34,230,387
<u>233,079,386</u>	<u>198,848,999</u>
<u>\$ 291,863,241</u>	<u>\$ 233,079,386</u>

See accompanying notes to consolidated financial statements.

BELMONT UNIVERSITY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2011
(with comparative totals for 2010)

	Year Ended May 31,	
	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 58,783,855	\$ 34,230,387
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,141,437	6,309,824
Gain on investments and beneficial interests	(11,660,641)	(8,159,114)
Gain on disposal of property and equipment	-	(5,000)
Loss on fair value of interest rate swaps	32,966	122,901
Loss on extinguishment of debt	-	777,009
Bad debt expense	344,177	314,785
Private gifts and grants restricted for long-term investment	(738,367)	(1,194,093)
Increase in accounts receivable	(373,929)	(696,597)
(Increase) decrease in contributions receivable	(5,980,748)	690,808
Decrease (increase) in inventories	55,030	(136,890)
(Increase) decrease in prepaids and other assets	(10,715)	427,309
Decrease in accounts payable, deposits, and accrued liabilities	(2,935,354)	(242,209)
Increase (decrease) in deferred revenues	596,647	(142,017)
Net cash provided by operating activities	43,254,358	32,297,103
Cash flows from investing activities:		
Purchases of property and equipment	(27,606,726)	(36,743,455)
Net sales of investments	2,050,393	632,869
Proceeds from sale of property	-	5,000
Increase in notes receivable from others	(50,467)	-
Decrease (increase) decrease in notes receivable - students	86,998	(2,471)
Net cash used in investing activities	(25,519,802)	(36,108,057)

BELMONT UNIVERSITY
CONSOLIDATED STATEMENT OF CASH FLOWS - Continued
YEAR ENDED MAY 31, 2011
(with comparative totals for 2010)

	Year Ended May 31,	
	2011	2010
Cash flows from financing activities:		
Proceeds from issuance of notes payable	-	90,000,000
Payments for bond issuance costs	-	(636,865)
Payments on notes payable	(7,179,641)	(73,420,186)
Net decrease in advances from federal government	(30,409)	(26,563)
Proceeds from private gifts and grants restricted for long-term investment	738,367	1,194,093
Decrease in annuities payable	(113,378)	(135,703)
Net cash (used in) provided by financing activities	(6,585,061)	16,974,776
Net increase in cash and cash equivalents	11,149,495	13,163,822
Cash and cash equivalents at beginning of year	26,941,047	13,777,225
Cash and cash equivalents at end of year	\$ 38,090,542	\$ 26,941,047

Supplemental disclosure:

Cash paid for interest was \$2,457,949 and \$2,477,114 for 2011 and 2010, respectively.

Non-cash Transactions:

During fiscal 2011 and 2010, the University purchased property and equipment of \$1,557,836 and \$3,554,739, respectively, included in accounts payable.

See accompanying notes to consolidated financial statements.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Belmont University (the “University”) is a private, not-for-profit institution of higher education. Midtown Capital Investments, LLC, Belmont Real Estate Holdings I, LLC and Belmont Real Estate Holdings II, LLC are wholly owned subsidiaries of the University formed for the purpose of future development of campus facilities. The financial statements and footnotes are presented on a consolidated basis with all significant intercompany balances and transactions eliminated in the consolidation. The significant accounting policies followed by the University are presented below to assist the reader in evaluating the consolidated financial statements.

Accrual Basis and Financial Statement Presentation

The University classifies its revenue, expenses, gains, and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the University and changes therein are classified as follows:

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

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

The amount for each of these classes of net assets is presented in the consolidated statement of financial position and the amount of change in each class of net assets is displayed in the consolidated statement of activities.

Comparative Financial Totals

The financial information shown for fiscal year 2010 in the accompanying consolidated statements of financial position, activities, and cash flows is included to provide a basis for comparison with fiscal year 2011. Certain reclassifications have been made to 2010 amounts to conform to the 2011 presentation.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

The University reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long the long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contribution of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the consolidated statement of activities.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the University considers all cash and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents except for amounts held as part of the University's long-term investment policy. The University maintains cash balances in financial institutions that it considers to be high quality financial institutions.

Inventories

Inventories, consisting of textbooks and supplies, are stated at the lower of cost (first-in, first-out) or market (net realizable value).

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the consolidated statement of activities.

Property, Buildings, and Equipment

Property, buildings, and equipment are stated in the accompanying consolidated statement of financial position at cost, or if contributed, at fair market value at date of receipt. It is the University's policy to capitalize expenditures for these items in excess of \$5,000. Library holdings have been recorded at actual cost by the University.

Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	60 years
Improvements	25 - 60 years
Library holdings	15 years
Equipment	5 - 10 years

Bond Issuance Costs

Bond Issuance Costs are amortized over the term of the bond issues using the interest method.

Beneficial Interests in Trusts

Beneficial interests in trusts represent arrangements in which a donor establishes and funds a trust administered by an individual or organization other than the University. Beneficial interests are recorded at fair value.

Deferred Revenue

The University's policy is to pre-register students for the summer and fall terms during the preceding spring semester. The University's policy is to record student fees collected prior to year-end as deferred revenue.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation is exercised by management in certain areas of the preparation of financial statements. The more significant areas include the recovery period for property, buildings, and equipment, the allocation of certain operating and maintenance expenses to functional categories, the collection of receivables, and the valuation of inventories. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Contributions Receivable

Contributions receivable are recorded at their estimated fair value and using a discount rate commensurate with the rate on U.S. Government Bonds whose maturities corresponds to the maturities of the contributions. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the promise to give is received.

Derivative Instruments

The University accounts for its derivative instruments under ASC 815, *Derivatives and Hedging*, which establishes accounting and reporting standards requiring that derivative instruments be recorded in the consolidated statement of financial position at estimated fair value. Changes in a derivative's fair value are included in the statement of activities as a component of the change in the net assets in the period of change. As described in Note J, the University has interest rate swap agreements which are considered to be derivatives. The University's interest rate management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert certain variable-rate debt to a fixed rate.

Advances from Federal Government

The Perkins Loan Program is a campus-based program providing financial assistance to eligible postsecondary school students based on financial need. The Department of Education provides funds along with the University which are used to make loans to eligible students at low interest rates. At May 31, 2011 and 2010, advances from Federal government totaled \$1,321,821 and \$1,352,230, respectively.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The University is not classified as a private foundation.

The University accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the University include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Related disclosures are included in Note T. Level inputs, as defined by ASC 820, *Fair Value Measurements*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs included quoted prices for similar assets or liabilities in active markets, quote prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the University's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

B. ACCOUNTS RECEIVABLE

Accounts receivable at May 31, 2011 and 2010 consisted of the following:

	2011	2010
Accounts receivable - students	\$ 444,282	\$ 397,095
Less allowance for doubtful accounts	(110,000)	(110,000)
	334,282	287,095
Other accounts receivable	847,859	865,294
	\$ 1,182,141	\$ 1,152,389

C. NOTES RECEIVABLE FROM OTHERS

At May 31, 2011 and 2010, the University has a note receivable, including accrued interest, totaling \$2,121,369 and \$2,030,902, respectively, due on demand. Interest is due monthly at 6%. The note is collateralized by a deed of trust on certain property.

Also at May 31, 2011 and 2010, the University has an outstanding advance of \$160,000 and \$200,000, respectively, to the University's President in accordance with his employment agreement, for the purchase of the President's residence. The loan does not bear interest and is unsecured.

D. NOTES RECEIVABLE - STUDENTS

Notes receivable from students at May 31, 2011 and 2010, consisted of the following:

	2011	2010
Notes receivable - students	\$ 2,378,821	\$ 2,465,819
Less allowance for doubtful notes	(532,000)	(532,000)
	1,846,821	1,933,819
	\$ 1,846,821	\$ 1,933,819

BELMONT UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 MAY 31, 2011

D. NOTES RECEIVABLE - STUDENTS - Continued

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Perkins loans are granted by the University under the federally funded Perkins loan program. These funds are disbursed based upon the demonstration of financial need presented by the student. Upon graduation, the students have a nine month grace period on the Perkins loan, at which time the loan will also begin accruing interest. Perkins and Institutional loan amounts are then repaid through a third party billing service. Student loans are considered past due when payment has not been received in over 30 days. At May 31, 2011 and 2010, student loans represented 0.46% and 0.54% of total assets, respectively.

Allowance for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be permanently uncollectible.

E. CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Contributions receivable (present value)	\$ 14,407,753	\$ 8,427,005
Less: allowance for doubtful contributions	<u>(475,000)</u>	<u>(475,000)</u>
	<u>\$ 13,932,753</u>	<u>\$ 7,952,005</u>

Expected maturities of contributions receivable at May 31, 2011 were as follows:

<u>Year(s) ended May 31,</u>	<u>Amount</u>
2012	\$ 1,574,595
2013	1,438,407
2014	1,105,375
2015	1,096,725
2016	1,075,000
Thereafter	<u>10,666,253</u>
Total expected contributions	16,956,355
Less: allowance for net present value	<u>(2,548,602)</u>
Present value of contributions receivable	<u>\$ 14,407,753</u>

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

F. INVESTMENTS

Investments at May 31, 2011 and 2010 were as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Market</u>	<u>Cost or Donated Value</u>	<u>Market</u>	<u>Cost or Donated Value</u>
Mutual funds	\$78,589,922	\$73,048,521	\$65,792,256	\$69,165,866
Equity securities	2,325,839	1,930,523	1,757,286	1,687,050
Corporate bonds	95,639	91,802	195,744	195,110
Money market funds	203,196	203,196	5,384,270	5,384,270
Government securities	<u>1,900,488</u>	<u>1,897,313</u>	<u>227,682</u>	<u>224,531</u>
	<u>\$83,115,084</u>	<u>\$77,171,355</u>	<u>\$73,357,238</u>	<u>\$76,656,827</u>

Investments at May 31, 2011 and 2010 for each class of net assets were as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 5,707,618	\$ 4,954,233
Temporarily restricted	23,977,999	15,776,941
Permanently restricted	<u>53,429,467</u>	<u>52,626,064</u>
	<u>\$83,115,084</u>	<u>\$73,357,238</u>

Interest and dividends, net of fees, earned on investments owned by the University amounted to \$1,236,771 and \$1,372,282 for the years ended May 31, 2011 and 2010, respectively. This income represents yields of 1.5% and 1.8% based on the average cost of such investments, 1.6% and 2.0% on the average market of such investments for fiscal 2011 and 2010, respectively.

The total return (income yield plus investment gains and losses) on investments owned by the University was 16.4% and 13.7%. based on the average market of such investments for fiscal years 2011 and 2010, respectively.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

G. PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment at May 31, 2011 and 2010, consisted of the following:

	2011	2010
Land	\$ 18,302,910	\$ 16,027,139
Buildings	257,584,981	207,788,303
Furnishings and equipment	30,626,957	30,472,807
Improvements other than buildings	4,334,453	4,334,453
Library holdings	10,646,784	10,646,784
Construction in progress	19,718,394	42,976,441
 Total plant facilities	 341,214,479	 312,245,927
 Less accumulated depreciation	 (78,413,119)	 (73,509,367)
	 \$ 262,801,360	 \$ 238,736,560

Net interest of \$563,490 and \$251,997 was capitalized during fiscal 2011 and 2010, respectively, and included in construction in progress.

The estimated cost to complete construction in progress at May 31, 2011 was approximately \$30,000,000, which relates primarily to the construction of the Randall and Sadie Baskin Center, scheduled for completion in the fall of 2012.

H. BENEFICIAL INTERESTS IN TRUSTS

At May 31, 2011 and 2010, the fair value of these trusts totaled \$339,752 and \$487,350, respectively. Various financial institutions hold these funds for the benefit of the University and all have been recorded in the University's consolidated financial statements as beneficial interests in trusts.

I. BOND ISSUE COSTS

The amortization expense of the bond issue costs was \$41,675 and \$40,305 for the years ended May 31, 2011 and 2010, respectively. The estimated future amortization expense for bond issue costs for the following five years is \$41,675.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

J. NOTES PAYABLE AND LONG-TERM OBLIGATION

Notes payable and long-term obligation at May 31, 2011 and 2010, consisted of the following:

<u>Description</u>	<u>Years Remaining</u>	<u>Interest Rate</u>	<u>Outstanding Principal</u>	
			<u>2011</u>	<u>2010</u>
Notes Payable and Obligations:				
Series 2010	19	Variable (1)	\$23,000,000	\$ 23,000,000
Series 2009	13	Variable (2)	54,300,000	60,800,000
Belmont Heights	12	8%	2,332,856	2,437,880
TN Baptist Convention	37	6.29%	3,558,585	3,583,202
Construction	2	1.02%	<u>10,650,000</u>	<u>11,200,000</u>
			<u>93,841,441</u>	<u>101,021,082</u>
Interest rate swaps			<u>4,096,094</u>	<u>4,063,128</u>
Total notes payable			<u>\$97,937,535</u>	<u>\$105,084,210</u>

(1) 2.42% at May 31, 2011

(2) 0.18% at May 31, 2011

In August 2009, the University redeemed the series 1997, 2002, 2002A, and 2005 bond issues from the proceeds of Series 2009 variable rate revenue refunding bond issues by the Health and Educational Facilities Board of Metropolitan Government of Nashville and Davidson County, Tennessee (the "Board"). The University issued a note payable to the Board collateralized by a letter of credit with SunTrust Bank and a confirming letter of credit from the Federal Home Loan Bank of Atlanta. In accordance with the loan agreement, the maximum commitment for its letter of credit decreases in relation to the maturity of the related note payable and expires three years after the original issuance date. Under the terms of the loan agreement, the University is required to renew the letter of credit and to have it in place through the term of the related note payable. The letter of credit agreement has a maturity date of August 15, 2012. It is management's opinion that the letter of credit will be renewed on comparable and favorable terms.

In January 2010, Series 2010 variable rate revenue refunding bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Board"). The University issued a note payable to the Board collateralized by a negative pledge on certain University property. The proceeds of the note payable are to provide funding for the construction of certain campus facilities.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

J. NOTES PAYABLE AND LONG-TERM OBLIGATION - Continued

Series 2010 and 2009 bonds are subject to optional redemption prior to maturity, in whole or in part, at various dates and redemption prices as set forth in the indentures. All of the bond issues are subject to mandatory redemption. The mandatory redemptions are shown as principal reductions during the year of required redemption. The bonds will be redeemed at a redemption price equal to 100% of the principal amount thereof, plus interest.

During fiscal year 2008, the University entered into a financing arrangement with a bank in the form of a line of credit totaling \$12,000,000. The proceeds of the line of credit were used for construction related to certain University facilities. Interest on the outstanding balance of the line of credit was due monthly at LIBOR plus .75% per annum through December 31, 2008 at which time the line-of-credit was converted to a term note. Principal and interest on the outstanding balance of the term note is payable monthly based on a 20-year amortization with all outstanding principal and interest due on December 31, 2012. The note payable is collateralized by a negative pledge on certain University property. At May 31, 2011 and 2010, the outstanding principal on the debt was \$10,650,000 and \$11,200,000, respectively.

At May 31, 2011 and 2010, the University had a note payable totaling \$2,332,856 and \$2,437,880, respectively, related to the purchase of Belmont Heights Baptist Church. The note bears interest at 8% and is due in quarterly principal and interest payments of \$74,238 through maturity in November 2023. The note is collateralized by a deed of trust on the related property.

At May 31, 2011 and 2010, the University had an obligation totaling \$9,250,000 and \$9,500,000, respectively, non-interest bearing (imputed interest of 6.29%), less amortized discount of \$5,691,415 and \$5,916,798, respectively, related to the settlement between the University and the Tennessee Baptist Convention (TBC). Annual payments of \$250,000 began January 20, 2009 and extend through January 2048.

The University's loan agreements contain various covenants and establish certain financial ratios. The University was in compliance with the covenants and ratios at May 31, 2011.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

J. NOTES PAYABLE AND LONG-TERM OBLIGATION - Continued

Maturities of notes payable and long-term obligation at May 31, 2011, were as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2012	\$ 5,389,847
2013	14,950,864
2014	5,112,756
2015	5,125,595
2016	5,339,456
Thereafter	<u>57,922,923</u>
	<u>\$ 93,841,441</u>

The University has an unsecured \$3,000,000 line of credit with a bank. Interest is payable monthly at a variable rate with all outstanding principal and interest due December 31, 2011. There was no outstanding balance at May 31, 2011 and 2010.

Interest Rate Swaps

The University entered into interest rate swap agreements with a financial institution having original notional principal amounts of \$10,000,000, \$10,125,000, \$8,000,000, \$17,000,000, and \$5,800,000 to reduce or eliminate the risk associated with debt interest rate fluctuations or portions of the Series 1997, 2002, 2002A and 2005 (two swap agreements) notes payable, respectively. As discussed above, the University redeemed the related bond issues in fiscal 2010; however, the interest rate swaps were not unwound as a result of this transaction. The University does not engage in trading these derivatives. The financial instruments are used to manage interest rate risk. The notional principal amounts are being amortized over the life of the agreements and at May 31, 2011, the remaining notional amounts totaled \$4,500,000, \$6,900,000, \$5,800,000, \$14,500,000 and \$3,900,000 respectively. At May 31, 2011, the terms of the interest rate swap agreements provide for the University to receive interest at the variable rate of .14% on the remaining notional principal amounts and to pay interest at fixed rates of 4.35%, 3.99%, 3.48%, 3.64% and 3.26%, with the agreements expiring December 1, 2016, 2022, 2023, 2025, and 2019, respectively.

The fair values if the individual interest rate swaps at May 31, 2011 were (\$473,726), (\$922,216), (\$608,387), (\$1,765,764) and (\$326,001). The aggregate fair value of (\$4,096,094) is included in notes payable and long-term obligation as reported on the consolidated statement of financial position. For the years ending May 31, 2011 and 2010, the University recognized aggregate losses on these interest rate swaps in the consolidated statement of activities of (\$32,966) and (\$122,901), respectively.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

K. LEASES

The University leases certain buildings and equipment under non-cancelable operating leases which expire at various dates through March 2013. Rent expense under these lease arrangements amounted to \$233,288 and \$222,997 for the years ended May 31, 2011 and 2010, respectively.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of May 31, 2011, are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2012	\$225,129
2013	<u>103,206</u>
	<u>\$328,335</u>

L. EMPLOYEE BENEFITS PLAN

The University participates in the retirement program of Guidestone Financial Resources of the Southern Baptist Convention and TIAA-CREF. These programs are defined contribution annuity plans that cover substantially all full-time employees. The University contributes an amount equal to the participants' contributions, not to exceed 5% of the participants' compensation. The University's total pension expense was \$1,684,311 and \$1,582,801 for fiscal 2011 and 2010, respectively. Pension cost is funded as accrued.

The University provides medical benefits for substantially all employees through the use of self-funding, employee contributions, and stop-loss insurance coverage. The University's expense for the medical benefits, and the related administrative costs and insurance costs totaled approximately \$4,269,700 and \$3,816,000 for 2011 and 2010, respectively. As of May 31, 2011 and 2010, \$385,745 and \$555,761, respectively, was accrued for self-insurance of expected claims incurred as of the fiscal year end.

The University has implemented a deferred compensation plan for certain employees. Under this plan, the University has recorded a liability of \$1,001,209 and \$982,897 for fiscal 2011 and 2010, respectively.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

M. ANNUITY TRUST AGREEMENTS

The University has entered into certain annuity trust agreements with donors where by the University has received contributions. Upon termination of the trusts, the remaining assets will be remitted to the University or other beneficiaries named by the donors. The assets related to the annuity agreements are recorded at fair market value and are included in investments. As of May 31, 2011 and 2010, annuity trust assets, at fair value, totaled \$6,081,728 and \$5,228,809, respectively. The liabilities to the annuitants are recorded at the net present value of estimated future cash flows. The change in values for fiscal 2011 and 2010 was (\$482,012) and (\$488,648), respectively.

N. TUITION AND FEES, NET

Tuition allowances, including scholarships of \$21,399,404 and \$19,045,578 and bad debt expense on student accounts of \$344,176 and \$314,785 for fiscal 2011 and 2010, respectively, have been netted against tuition and fees.

Bad debt recoveries on student accounts written off amounted to \$84,093 and \$72,122 for fiscal 2011 and 2010, respectively. These amounts have also been included as a component of net tuition revenue in the consolidated statement of activities.

O. ENDOWMENT FUNDS

The University's endowment consists of individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

O. ENDOWMENT FUNDS - Continued

Interpretation of Relevant Law

The Board of Trustees of the University has interpreted applicable state laws as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the University in a manner consistent with the standard of prudence prescribed by applicable state laws. In accordance with applicable state laws, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

Endowment Net Asset Composition by Type of Fund as of May 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$(514,589)	\$16,457,051	\$53,950,014	\$69,892,476
Board-restricted endowment funds	<u>5,940,318</u>	<u>-</u>	<u>-</u>	<u>5,940,318</u>
Total funds	<u>\$ 5,425,729</u>	<u>\$16,457,051</u>	<u>\$53,950,014</u>	<u>\$75,832,794</u>

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

O. ENDOWMENT FUNDS - Continued

Endowment Net Asset Composition by Type of Fund as of May 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$(1,123,097)	\$7,216,452	\$53,234,861	\$59,328,216
Board-restricted endowment funds	<u>6,213,698</u>	<u>-</u>	<u>-</u>	<u>6,213,698</u>
Total funds	<u>\$ 5,090,601</u>	<u>\$7,216,452</u>	<u>\$53,234,861</u>	<u>\$65,541,914</u>

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 1, 2009	\$ 1,701,043	\$ 3,729,602	\$ 52,200,116	\$ 57,630,761
Investment Return:				
Investment income	426,541	508,442	-	934,983
Net appreciation (realized and unrealized)	<u>3,419,639</u>	<u>4,076,249</u>	<u>-</u>	<u>7,495,888</u>
Total investment return	3,846,180	4,584,691	-	8,430,871
Contributions	-	-	1,194,093	1,194,093
Appropriation of endowment assets for expenditure	(456,622)	(1,097,841)	-	(1,554,463)
Change in value of annuity agreements	-	-	(24,818)	(24,818)
Reclassifications	<u>-</u>	<u>-</u>	<u>(134,530)</u>	<u>(134,530)</u>
Endowment net assets, May 31, 2010	<u>5,090,601</u>	<u>7,216,452</u>	<u>53,234,861</u>	<u>65,541,914</u>

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

O. ENDOWMENT FUNDS - Continued

Investment Return:				
Investment income	95,378	1,132,614	-	1,227,992
Net appreciation (realized and unrealized)	<u>775,002</u>	<u>9,203,215</u>	<u>-</u>	<u>9,978,217</u>
Total investment return	870,380	10,335,829	-	11,206,209
Contributions	-	-	738,367	738,367
Appropriation of endowment assets for expenditure	(535,252)	(1,095,230)	-	(1,630,482)
Change in value of annuity agreements	-	-	(23,214)	(23,214)
Reclassifications	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, May 31, 2011	<u>\$5,425,729</u>	<u>\$ 16,457,051</u>	<u>\$ 53,950,014</u>	<u>\$ 75,832,794</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. At May 31, 2011 and 2010, the fair value of certain endowment funds was less than the original gifts by \$514,589 and \$1,123,097 respectively.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of selected markets and comparative indices such as the Standard & Poor's 500 and Lehman G/C Index, while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

O. ENDOWMENT FUNDS - Continued

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy

The University has a policy of appropriating up to 4% of the previous three year rolling average year-end market values for distribution annually. In establishing this policy, the Board considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average rate of approximately 3.5% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

P. NET ASSETS

Temporarily restricted net assets of \$37,032,124 and \$26,160,006 at May 31, 2011 and 2010, respectively, were available for scholarships and property, buildings and equipment purchases or were restricted based on the passage of time.

Permanently restricted net assets consist of \$53,950,014 and \$53,234,861 at May 31, 2011 and 2010, respectively, consist of endowment and similar funds whose income is to be used to fund scholarships and general educational support.

BELMONT UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 MAY 31, 2011

Q. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

	<u>2011</u>	<u>2010</u>
Instruction	\$ 1,471,634	\$1,013,686
Academic support	454,693	358,145
Student services	8,858,745	317,499
Institutional support	31,448	345,127
Scholarships and fellowships	1,535,090	1,578,860
Auxiliary enterprises and other	<u>564,539</u>	<u>226,728</u>
Total restrictions released	<u>\$12,916,149</u>	<u>\$3,840,045</u>

R. ALLOCATION OF EXPENSES

Operating and maintenance expenses have been charged to functional categories using square footage and actual time spent by the University's operating and maintenance personnel and charging certain expenditures directly to locations and departments as incurred. Operating and maintenance expenses totaling \$15,077,722 and \$15,187,189, including depreciation of \$5,099,762 and \$6,269,519 have been recorded for fiscal 2011 and 2010, respectively, in the consolidated statement of activities as follows:

<u>Functional Category</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 5,562,243	\$ 5,297,685
Academic support	1,763,348	1,651,292
Student services	2,389,963	2,244,250
Institutional support	1,456,104	1,131,137
Auxiliary enterprises	<u>3,906,064</u>	<u>4,862,825</u>
	<u>\$15,077,722</u>	<u>\$15,187,189</u>

Interest expense totaling \$1,771,669 and \$2,568,913 for 2011 and 2010, respectively, has been included in auxiliary enterprises.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

S. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and investments. Cash at May 31, 2011 includes demand deposits at high quality financial institutions. The deposits possess credit risk to the extent they exceed federally insured limits. The exposure to concentrations of credit risk relative to securities is dependent on the University's investment objectives and policies. Credit risk also extends to uncollateralized receivables, net of allowances, and the University's ability to obtain renewed letters of credit which secure certain notes payable (Note J).

T. FAIR VALUES OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair values of financial instruments are presented below. The estimated fair value amounts have been determined based on the University's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures under ASC 825, *Financial Instruments*, and measurements at May 31, 2011 and 2010 for the assets and liabilities measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Measured at Fair Value</u>	<u>Fair Value Measurements Using</u>		
				<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>May 31, 2011</u>						
Assets:						
Investments:						
Mutual funds	\$78,589,922	\$78,589,922	\$78,589,922	\$78,589,922	\$ -	\$ -
Equity securities	2,325,839	2,325,839	2,325,839	2,325,839	-	-
Corporate bonds	95,639	95,639	95,639	-	95,639	-
Money market funds	203,196	203,196	203,196	203,196	-	-
Government securities	<u>1,900,488</u>	<u>1,900,488</u>	<u>1,900,488</u>	<u>-</u>	<u>1,900,488</u>	<u>-</u>
	83,115,084	83,115,084	83,115,084	81,118,957	1,996,127	-
Beneficial interest in trust	339,752	339,752	339,752	-	339,752	-
Liabilities:						
Notes payable and long-term obligation	93,841,441	95,590,983	-	-	-	-
Interest rate swap agreements	4,096,094	4,096,094	4,096,094	-	4,096,094	-

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

T. FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Measured at Fair Value</u>	<u>Fair Value Measurements Using</u>		
				<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>May 31, 2010</u>						
Assets:						
Investments						
Mutual funds	\$65,792,256	\$65,792,256	\$65,792,256	\$65,792,256	\$ -	\$ -
Equity securities	1,757,286	1,757,286	1,757,286	1,757,286	-	-
Corporate bonds	195,744	195,744	195,744	-	195,744	-
Money market funds	5,384,270	5,384,270	5,384,270	5,384,270	-	-
Government securities	<u>227,682</u>	<u>227,682</u>	<u>227,682</u>	<u>-</u>	<u>227,682</u>	<u>-</u>
	73,357,238	73,357,238	73,357,238	72,933,812	423,426	-
Beneficial interest in trust	487,350	487,350	487,350	-	487,350	-
Liabilities:						
Notes payable and long-term obligation	101,021,082	103,382,735	-	-	-	-
Interest rate swap agreements	4,063,128	4,063,128	4,063,128	-	4,063,128	-

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents

Cash is reflected at carrying value, which is considered its fair value.

Accounts and Notes Receivable

Accounts and notes receivable consist primarily of student loans through a government loan program, a mortgage note receivable and short-term receivables. The notes receivable are not readily marketable. The University has estimated their fair value to be the carrying value.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

T. FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

Contributions Receivable

Contributions receivable are recorded at net present value as discussed in Note A, which approximates their fair value.

Investments and Beneficial Interest in Trusts

The fair value of investments and beneficial interests in trusts, as disclosed in Notes F and H, respectively, has been calculated based on quoted market prices, where available.

Accounts Payable, Accrued Liabilities and Deferred Revenue

The carrying value of accounts payable, accrued liabilities and deferred revenue approximates fair value due to the short-term nature of the obligations.

Notes Payable and Long-Term Obligation

For debt instruments with variable interest rates, the fair value approximates the carrying value. For fixed rate debt and obligations, fair value was estimated using discounted cash flow analyses based on the University's current incremental borrowing rates for similar types of borrowing arrangements.

Interest Rate Swap Agreements

Fair value has been estimated as the difference between the estimated future interest payments at contractual variable rates and expected future variable rates as of May 31, 2011 and 2010, and fixed interest rates specified in the related swap agreements, discounted to present value.

The fair value estimates presented herein are based on pertinent information available to management as of May 31, 2011 and 2010. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the consolidated financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

BELMONT UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2011

U. RELATED PARTIES

The University has certain members of its Board of Trustees who have financial interests in entities which engage in business transactions with the University. The terms of the agreements and contracts with these entities are no more or less favorable to the University than could have been obtained from unrelated entities and are consistent with the University's policy and code of ethics.

V. FUND RAISING COSTS

For fiscal years ended May 31, 2011 and 2010, expenses totaling \$2,419,831 and \$2,276,377, respectively, were associated with fundraising and are classified in the consolidated statements of activities under institutional support.

W. CONTINGENCIES

The University is subject to various claims and legal actions, which arise, in the ordinary course of business. In the opinion of management, the ultimate resolution of such matters will not have a material adverse effect on the University's financial position or results of operations.

X. SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 28, 2011, the issuance date of the University's consolidated financial statements, and have determined that there are no subsequent events requiring disclosure.

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APPENDIX C

**CERTAIN DEFINITIONS AND
SUMMARIES OF CERTAIN PROVISIONS OF
THE INDENTURE AND THE LOAN AGREEMENT**

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These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information. Reference is made to original documents in all respects.

Definitions

“Act” means Tennessee Code Annotated §§ 48-101-301 et seq., as amended.

“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 Borrower or any affiliate of the Borrower under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

“Agreement” means the Loan Agreement dated as of May 1, 2012 between the Issuer and the Borrower, and any amendments and supplements thereto.

“Alternate Variable Rate Taxable Index” shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations similar in maturity and credit quality to the Indebtedness in question the interest on which is not excluded from gross income for federal income tax purposes, as certified by a Financial Adviser.

“Alternate Variable Rate Tax-Exempt Index” shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations similar in maturity and credit quality to the Indebtedness in question the interest on which is excluded from gross income for federal income tax purposes, as certified by a Financial Adviser.

“Authorized Denomination” means \$5,000 and any multiple thereof.

“Balloon Date” shall mean any maturity or principal payment date or any date on which a holder may elect to have Balloon Indebtedness redeemed, prepaid, purchased directly or indirectly by the Borrower, or otherwise paid, in a Balloon Year.

“Balloon Indebtedness” shall mean any Indebtedness 25% or more of the principal of which is due or may be required to be paid in any 12-month period; provided that, in calculating the principal amount of such Indebtedness due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such principal amount shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

“Balloon Year” shall mean any 12-month period in which more than 25% of the original principal amount of related Balloon Indebtedness mature or are subject to mandatory redemption or could, at the option of the holders thereof, be required to be redeemed, prepaid, purchased directly or indirectly by the Borrower, or otherwise paid.

“Beneficial Owner” means, for any Bond that is held by a nominee, the beneficial owner of such Bond.

“Bond” or **“Bonds”** means The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee Revenue Bonds (Belmont University Project), Series 2012 issued by the Issuer in the aggregate principal amount of \$55,965,000 pursuant to the Indenture.

“Bond Counsel” means a firm of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of public obligations and who is acceptable to the Trustee.

“Bond Fund” means the fund created in Section 5.01 of the Indenture.

“Book-Entry System” means the system maintained by the Securities Depository described in Section 2.12 of the Indenture.

“Bond Register” means the books of the Issuer kept by the Trustee to evidence the registration and transfer of the Bonds.

“Borrower” means (i) Belmont University, a Tennessee nonprofit corporation, and (ii) any surviving, resulting, or transferee entity as provided in the Loan Agreement.

“Borrower Representative” means the person or persons at the time designated to act on behalf of the Borrower by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Borrower by its President or Vice President of Finance and, in their absence, the Vice President or Secretary, respectively. Such certificate may designate an alternate or alternates.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which the Trustee is required or permitted by law to close, and (c) a day on which the New York Stock Exchange is closed.

“Certified Interest Rate” shall mean, as of any date of determination:

(a) with respect to Indebtedness the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the average of the Variable Rate Tax-Exempt Index for the five (5) years preceding such date of determination; and

(b) with respect to Indebtedness the interest on which is not excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the average of the Variable Rate Taxable Index for the five (5) years preceding such date of determination.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

“Consultant” means an independent, nationally recognized consultant or firm of consultants, or firm of independent accountants with experience in the preparation of management studies or financial feasibility studies for use in connection with the financing of facilities for institutions of higher education, selected by the Executive Committee of the Borrower. For purposes of the preceding sentence, the term “independent” shall mean a Person who is not, and none of whose partners, directors, officers, members or substantial stockholders is, a member of the governing body of the Borrower or the Issuer, or an officer or employee of the Borrower or the Issuer.

“Cost” with respect to the Project shall be deemed to include all items permitted to be financed under the provisions of the Code and the Act.

“Credit Facility” shall mean any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement or instrument issued by a bank, insurance company, or any entity that is used by the Borrower to perform one or more of the following tasks: (i) enhancing the Borrower’s credit by assuring owners of any Indebtedness that principal of and interest on such Indebtedness will be paid promptly when due; (ii) providing liquidity for the owners of Indebtedness through undertaking to cause Indebtedness to be bought from the owners thereof when submitted pursuant to an arrangement with respect thereto; or (iii) remarketing any Indebtedness so submitted to the Credit Issuer (whether or not the same Credit Issuer is remarketing the Bonds).

“Credit Issuer” shall mean any issuer of a Credit Facility then in effect for any Indebtedness.

“Debt Service Reserve Fund” means the fund created in Section 5.11 of the Indenture.

“Debt Service Requirement” means the total principal and interest coming due in any period, provided that:

(a) the interest coming due in any future period on debt bearing interest at variable rates shall be determined as if the variable rate in effect at all times during such future period equaled the higher of: (1) the average of the actual variable rates which were in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the Certified Interest Rate.

(b) With respect to any Indebtedness secured by a Credit Facility, the Debt Service Requirement therefor shall include (1) any commission or commitment fee obligations with respect to such Credit Facility, and (2) any remarketing agent fees. In determining the amounts described in this paragraph for any future period, the Borrower (A) may assume that any Credit Facility presently in effect will remain in effect even if such Credit Facility has an expiration date prior to the maturity of the related Indebtedness and (B) may assume that the current payments relating to the Credit Facility will remain in effect or may estimate such payments in the future provided that the Borrower obtains a certificate from a Financial Adviser that such estimates are reasonable.

(c) With respect to any Hedged Indebtedness, the interest on such Hedged Indebtedness during any period of hedging and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the Borrower on such Hedged Indebtedness pursuant to their terms and (y) the amount of Hedge Payments payable by the Indebtedness under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related

Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the Borrower on the related Hedged Indebtedness shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the period of hedging (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the “Determination Period”) shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(d) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness (i) which does not have a Balloon Year commencing within 12 months from the date of calculation or (ii) which is Indebtedness issued in connection with an arrangement which contemplates that the principal of Indebtedness tendered for payment at the option of the holder thereof prior to the stated maturity of such Indebtedness will be paid from the proceeds of the remarketing of such tendered Indebtedness, and for which a Credit Facility is in place, at the option of the Borrower and subject to the other assumptions contained herein: (x) the actual principal and interest on such Balloon Indebtedness shall be included in the Debt Service Requirement, (y) such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of fifteen (15) years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the Borrower could reasonably expect to borrow the same amount by issuing or incurring Indebtedness with a fifteen (15) year term), or (z) such Indebtedness shall be assumed to be amortized pursuant to any stated amortization schedule for such Indebtedness (and by disregarding any put or tender rights of the holders thereof). For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness not described in the preceding sentence, the principal payable on such Bonds during the Balloon Year shall be calculated as if paid on the Balloon Date.

“**Default**” means any default under the Loan Agreement or the Indenture.

“**Determination of Taxability**” means (a) a determination by the Commissioner or any District Director of the Internal Revenue Service, (b) a private ruling or Technical Advice Memorandum issued by the National Office of the Internal Revenue Service in which the Issuer and the Borrower were afforded the opportunity to participate, (c) a determination by any court of competent jurisdiction, (d) the enactment of legislation or (e) receipt by the Trustee of an opinion of Bond Counsel to the effect that interest on the Bonds is includable in gross income for federal income tax purposes of any bondholder or any former bondholder; provided, however, that no such Determination of Taxability under clause (a) or (c) shall be deemed to have occurred if the Issuer (at the sole expense of the Borrower) or the Borrower is contesting such determination, has elected to contest such determination in good faith and is proceeding with all applicable dispatch to prosecute such contest until the earliest of (i) a final determination from which no appeal may be taken with respect to such determination, (ii) abandonment of such appeal by the Issuer or the Borrower, as the case maybe, or (iii) one year from the date of initial determination.

“**Expendable Funds**” shall have the meaning set forth in Section 6.7 of the Loan Agreement.

“**Financial Adviser**” shall mean an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the Borrower for the purpose of passing on questions relating to the availability and terms of specified types of indebtedness or the Borrower’s financial condition or operations and is actively engaged in and, in the good faith opinion of the Borrower, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

“**Fiscal Year**” means June 1 to and including the next succeeding May 31, as such may be changed from time to time upon written notice of the Borrower to the Trustee.

“**Fitch**” means Fitch Ratings, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower by written notice to the Trustee.

“**Generally Accepted Accounting Principles**” or “**GAAP**” shall mean generally accepted accounting principles as defined by the Financial Accounting Standards Board as from time to time in effect that are consistently applied and, when used with respect to the Borrower, that are consistent with the accounting practice of the Borrower, reflected in the financial

statements for the Borrower, with such changes as may be approved by an independent public accountant satisfactory to the Trustee.

“Governmental Authority” shall mean the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Government Obligations” means direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America, which obligations are noncallable.

“Hedge Agreements” shall mean interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts, commodity agreements and other similar agreements or arrangements designed to protect against fluctuations in interest rates, currency values or commodity values, in each case to which the Borrower is a party.

“Hedge Payments” shall mean amounts payable by the Borrower pursuant to any Hedge Agreement, other than any termination payments.

“Hedge Receipts” shall mean amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than any termination payments.

“Hedged Indebtedness” shall mean any Indebtedness with respect to which the Borrower shall have entered into a Hedge Agreement.

“Indebtedness” of any Person shall mean, without duplication (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instrument, (c) all obligations of such Person in respect of the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business, (d) all obligations of such Person under any conditional sale or other title retention agreement(s) relating to property acquired by such Person, (e) all obligations, contingent or otherwise, of such Person in respect of letters of credit, acceptances or similar extensions of credit, (f) all guarantees of such Person of the type of Indebtedness described in clauses (a) through (e) above, (g) all Indebtedness of a third party secured by any Lien on property owned by such Person, whether or not such Indebtedness has been assumed by such Person, (h) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any common stock of such Person, and (i) all obligations under Hedging Agreements. The Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, except to the extent that the terms of such Indebtedness provide that such Person is not liable therefor.

“Indenture” means the Indenture of Trust dated as of May 1, 2012 between the Issuer and the Trustee, pursuant to which the Bonds are authorized to be issued, and any amendments and supplements thereto.

“Interest Payment Date” for the Bonds shall mean May 1 and November 1 of each year, commencing on November 1, 2012.

“Issuance Costs” means all costs that are treated as costs of issuing or carrying the Bonds under existing Treasury Department regulations and rulings, including, but not limited to, (a) underwriter’s spread (whether realized directly or derived through purchase of the Bonds at a discount below the price at which they are expected to be sold to the public); (b) counsel fees (including bond counsel, underwriter’s counsel, Issuer’s counsel and Borrower’s counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds); (c) financial advisory fees incurred in connection with the issuance of the Bonds; (d) rating agency fees; (e) Trustee fees incurred in connection with the issuance of the Bonds; (f) paying agent and certifying and authenticating agent fees related to issuance of the Bonds; (g) accountant fees related to the issuance of the Bonds; (h) printing costs of the Bonds and of the preliminary and final offering materials; (i) publication costs associated with the financing proceedings; and (j) costs of engineering and feasibility studies necessary to the issuance of the Bonds.

“Issuance Cost Fund” means the Issuance Cost Fund created by Section 5.07 of the Indenture.

“Issuance Costs Deposit” means the deposit in the amount of \$223,479.02 to be made with the Trustee from proceeds of the Bonds on the Issue Date to pay Issuance Costs. Such amount does not exceed two percent of the aggregate principal amount of the Bonds.

“Issue Date” means the date of issuance and delivery of the Bonds to the Underwriter.

“Issuer” means The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee, and its successors and assigns.

“Issuer Representative” means the person or persons at the time designated to act on behalf of the Issuer by written certificate furnished to the Borrower and the Trustee containing the specimen signatures of such person or persons and signed on behalf of the Issuer by its duly authorized agent. Such certificate may designate an alternate or alternates.

“Lien” shall mean, as to any asset, (a) any lien, charge, claim, mortgage, security interest, pledge or other encumbrance of any kind with respect to such asset, (b) any interest of a vendor or lessor under any conditional sale agreement, capitalized lease or other title retention agreement relating to such asset, (c) any reservation, exception, encroachment, easement, right-of-way, covenant, condition, restriction, lease or other title exception affecting such asset, or (d) any preference, priority or other security agreement or preferential arrangement or any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

“Metropolitan Government” means The Metropolitan Government of Nashville and Davidson County, Tennessee.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower by written notice to the Trustee.

“Negative Pledge Agreement” means that certain Negative Pledge Agreement dated as of the date hereof, executed by the Borrower and the Trustee, as it may be amended or restated from time to time.

“Net Proceeds” means the proceeds of the Bonds reduced by amounts in a reasonably required reserve or replacement fund and by the Issuance Costs Deposit.

“One-Month LIBOR Rate” shall mean, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

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

- (a) Bonds canceled after purchase in the open market or because of payment at, or redemption prior to, maturity;
- (b) Bonds paid or deemed paid pursuant to Article VII of the Indenture; and
- (c) Bonds in lieu of which others have been authenticated under Sections 2.10 or 2.11 of the Indenture.

“Owner” means the person or persons in whose name or names a Bond shall be registered on the books of the Issuer kept by the Trustee for that purpose in accordance with provisions of the Indenture.

“Par” means one hundred percent (100%) of the principal amount of any Bond, or of the aggregate principal amount of the Bonds Outstanding, as the context may require, exclusive of accrued interest.

“Participant” means one of the entities which is a member of the Securities Depository and deposits securities, directly or indirectly, in the Book-Entry System.

“Permitted Investments” shall mean:

- (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States), in each case maturing within one year from the date of acquisition thereof;
- (b) commercial paper having the highest rating, at the time of acquisition thereof, of S&P or Moody’s and in either case maturing within six months from the date of acquisition thereof;
- (c) certificates of deposit, bankers’ acceptances and time deposits maturing within 180 days of the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States or any

state thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) mutual funds investing solely in any one or more of the Permitted Investments described in clauses (a) through (d) above.

“Permitted Liens” shall mean:

(a) Liens imposed by law for taxes not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP;

(c) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment and attachment liens not giving rise to a Default or Liens created by or existing from any litigation or legal proceeding that are currently being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the Borrower taken as a whole.

“Person” shall mean an individual, corporation, partnership, joint venture, trust, unincorporated organization or any other judicial entity, or a foreign state or any agency or political subdivision thereof.

“Prior Indebtedness” means that certain Line of Credit and Term Loan Agreement between the Borrower and SunTrust Bank, dated December 27, 2007.

“Project” means the facilities described in Exhibit A of the Loan Agreement.

“Project Fund” means the fund created in Section 5.05 of the Indenture.

“Rebate Fund” means the fund created in Section 5.10 of the Indenture.

“Record Date” is defined in the form of the Bonds attached as Exhibit “A” to the Indenture.

“Requisition” means a written request for a disbursement from the Project Fund, signed by a Borrower Representative, substantially in the form attached to the Loan Agreement as Exhibit B and satisfactorily completed as contemplated by said form.

“Reserved Rights” means amounts payable to the Issuer under Sections 4.2(b), 7.2, 8.4 and 9.10 of the Loan Agreement.

“Responsible Officer” when used with respect to the Trustee, means any officer within the corporate trust administrative department of the Trustee, including any vice president, any assistant vice president, any trust officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

“Securities Depository” means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns.

“Serial Bonds” shall mean all Bonds that are not Term Bonds.

“SIFMA Municipal Swap Index” shall mean the rate determined on the basis of an index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data or any successor indexing agent which meets specific criteria established by The Securities Industry and Financial Markets Association.

“**S&P**” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower by written notice to the Trustee.

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

“**Subsidiary**” means, with respect to any Person (the “parent”), any corporation, partnership, joint venture, limited liability company, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, partnership, joint venture, limited liability company, association or other entity (a) of which securities or other ownership interests representing more than 50% of the ordinary voting power, or in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise controlled, by the parent or one or more subsidiaries of the parent. Unless otherwise indicated, all references to “Subsidiary” hereunder means a Subsidiary of the Borrower.

“**Subsidiary Guaranty**” means that certain Subsidiary Guaranty Agreement dated as of the date hereof executed by the Subsidiaries of the Borrower set forth in Section 6.9(i) hereof, as supplemented or amended from time to time in accordance with Section 6.9(i) hereof.

“**Trust Estate**” means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

“**Trustee**” means U.S. Bank National Association, a national banking association, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee hereunder.

“**Principal Office**” of the Trustee means the address specified in Section 12.04 of the Indenture or such other address as may be designated in writing to the Issuer and the Borrower.

“**Underwriter**” means, with respect to the Bonds, collectively, Stephens Inc. and SunTrust Robinson Humphrey.

“**Variable Rate Taxable Index**” shall mean the One-Month LIBOR Rate or, if the One-Month LIBOR Rate no longer shall be available, the Alternate Variable Rate Taxable Index.

“**Variable Rate Tax-Exempt Index**” shall mean the SIFMA Municipal Swap Index or, if the SIFMA Municipal Swap Index no longer shall be available, the Alternate Variable Rate Tax-Exempt Index.

Summary of the Indenture

Pledge of Indenture Funds. Pursuant to the Indenture, the Issuer will pledge and assign to the Trustee for the equal and proportionate benefit of the holders of all Bonds: (i) money and investments in the Bond Fund, the Project Fund, and the Debt Service Reserve Fund, subject to the provisions of the Indenture permitting the application thereof as provided in the Indenture, and (ii) all payments by the Borrower pursuant to the Loan Agreement.

Project Fund. The Indenture establishes a Project Fund for the purpose of providing payment of the costs of constructing and equipping the Project. The Net Proceeds of the Bonds, after the deposit of the Issuance Costs Deposit into the Issuance Cost Fund, will be deposited in the Project Fund. After certification by representative of the Borrower that the construction and equipping of the Project have been completed and that all Costs of the Project have been paid, the balance of the moneys remaining in the Project Fund shall be used in the manner directed by the Borrower; provided, however, that the Borrower shall provide an opinion of Bond Counsel to the Trustee to the effect that such use will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Bond Fund. The Indenture establishes a Bond Fund, which will be held by the Trustee. Unless otherwise specified, all moneys received by the Trustee for deposit into the Bond Fund shall be credited to the Bond Fund. Any reference in the Indenture to the “Bond Fund” without further qualification or explanation shall, unless the context indicates otherwise, constitute a reference to the General Account. The Indenture provides that the Trustee will deposit in the Bond Fund all moneys received by the Trustee under and pursuant to any of the provisions of the Indenture or of the Loan Agreement which are required to be or which are accompanied by directions that such moneys are to be paid into the Bond Fund. Money in the Bond Fund is to be used to pay debt service on the Bonds as the same shall become due and payable.

Issuance Cost Fund. The Indenture establishes an Issuance Cost Fund, into which the Issuance Costs Deposit will be deposited and used to pay Issuance Costs at Closing. Money in the Issuance Cost Fund is not subject to the lien of the Indenture.

Rebate Fund. The Indenture establishes a Rebate Fund, which will be held by the Trustee. The Indenture provides that the Trustee will deposit in the Rebate Fund all money paid to the Trustee by the Borrower and designated by the Borrower for deposit into the Rebate Fund. Money in the Rebate Fund shall be used to pay amounts required to be paid by the Borrower to the United States pursuant to Section 148 of the Code. Money in the Rebate Fund is not subject to the lien of the Indenture.

Debt Service Reserve Fund. The Indenture establishes a Debt Service Reserve Fund, which shall be held by the Trustee. The Indenture provides that the Trustee will deposit into the Debt Service Reserve Fund all money paid to the Trustee by the Borrower and designated by the Borrower for deposit into the Debt Service Reserve Fund. The Trustee also shall deposit therein all amounts required pursuant to the Indenture. Moneys deposited therein shall be used by the Trustee for the purpose of paying the last maturing principal of and interest on the Bonds. Interest accruing from money deposited in the Debt Service Reserve Fund shall remain in said fund until the total amount deposited therein exceeds the Debt Service Reserve Requirement. Upon such occurrence, the excess funds shall be transferred to the Bond Fund.

Investment of Moneys in the Project Fund and the Debt Service Reserve Fund. Moneys in the Project Fund and the Debt Service Reserve Fund may be invested or reinvested by the Trustee in accordance with the instructions of the Borrower in any of the following qualified investments:

(a) Bonds or obligations of counties, municipal corporations, school districts, political subdivisions, authorities, or bodies of the State;

(b) Bonds or other obligations of the United States or of subsidiary corporations of the United States Government which are fully guaranteed by such government;

(c) Obligations of agencies of the United States Government issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives;

(d) Bonds or other obligations issued by any Public Housing Agency or Municipal Corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States Government, or project notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States Government;

(e) Certificates of deposit, bankers' acceptances or interest-bearing time deposits that are made with the Trustee or with any member of the Federal Deposit Insurance Corporation, provided that such investments are fully insured by the Federal Deposit Insurance Corporation or which are continuously secured as to principal, and to the extent not insured by the Federal Deposit Insurance Corporation, by items listed in subsection (2), (3) and (4) above, or other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States of America, having a market value (exclusive of accrued interest) not less than the amount of such deposit;

(f) Repurchase agreements with respect to obligations included in (1), (2), (3), (4) or (5) above and any other investments to the extent at the time permitted by then applicable law for the investment of public funds;

(g) Prime quality money market funds or prime commercial paper rated A-1 or P-1 by Moody's or S&P, respectively;

(h) Euro-Dollar certificates of deposit of members of the Federal Reserve System which have a combined capital and surplus of at least \$50,000,000; provided, however, said certificates shall be secured at all times, to the extent of any amount in excess of the FDIC insured amount, by a pledge of Government Obligations having a market value (exclusive of accrued interest) equivalent to such excess;

(i) Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(A) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in paragraph (2) hereof and repurchase agreements fully collateralized by any such obligations;

(B) such investment company or investment trust or common trust fund takes delivery of

such collateral either directly or through an authorized custodian;

(C) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(D) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State; and

(j) Sweep accounts maintained by the Trustee which qualify as investments listed in (1) through (9) above.

Investment of Moneys in the Bond Fund and Rebate Fund. Moneys in the Bond Fund or Rebate Fund may be invested or reinvested by the Trustee in accordance with the instructions of the Borrower in Government Obligations with such maturities as shall be required in order to assure full and timely payment of amounts required to be paid from the Bond Fund or the Rebate Fund, which maturities shall (in the case of the Bond Fund), in any event, extend no more than thirty (30) days from the date of acquisition thereof; provided, that any moneys held pursuant to the provisions of Section 5.08 of the Indenture (with respect to Bonds not presented within two (2) years after having become due) either shall be held uninvested or shall be invested in Government Obligations maturing on the next Business Day. In the event of the absence of any direction of the Borrower, such amounts shall remain uninvested.

Encumbrances on Trust Estate. The Issuer covenants in the Indenture that it will not create or permit any mortgage, pledge, lien, charge or encumbrance of any kind on the trust estate prior to or on a parity of lien with the Indenture.

Default. Any one or more of the following will constitute a Default under the Indenture:

- (a) Default in the due and punctual payment of 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, or upon the maturity thereof by declaration;
- (c) The occurrence of a Default under the Loan Agreement; and
- (d) A default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in the Bonds contained and failure to remedy the same after notice thereof pursuant to Section 8.12 of the Indenture.

Acceleration. If a Default occurs the Trustee may, and at the written request of Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds shall, declare the principal of all Bonds and the interest accrued thereon to be immediately due and payable. Interest on the Bonds shall cease to accrue from and after the date of any such declaration of acceleration.

Right of Owners of Bonds to Direct Proceedings. The Owners of at least twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings hereunder.

Indemnity for Costs and Expenses. The Trustee is not required, upon the occurrence of a Default, to exercise any of its rights or powers under the Indenture at the request of any Bondholders unless such Bondholders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request.

Limitation on Suits by Bondholders. The Indenture provides that no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (subject to the provisions of Section 8.02 of the Indenture pertaining to Acceleration of the Bonds) (i) a Default has occurred of which the Trustee has been notified, or of which it is deemed to have notice, (ii) the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding and shall have offered to the Trustee indemnity as provided in the Indenture, and (iii) the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit or proceeding. Such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or

more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by their action or to enforce any right hereunder except in the manner provided in the Indenture, and that all proceedings at law or equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in the Indenture shall affect or impair the right of any Owner of Bonds to enforce the payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner in the Bonds expressed.

Supplemental Indentures. The Indenture permits the Issuer and the Trustee to supplement or amend the Indenture, upon receipt of an opinion of Bond Counsel to the effect that the proposed supplemental indenture will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes and is authorized by the Indenture, and without consent of, or notice to, any of the Owners of Bonds, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Owners of Bonds any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Owners of Bonds or the Trustee;
- (c) To subject to the Indenture additional revenues, properties or collateral;
- (d) To modify, amend or supplement the Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;
- (e) To evidence the appointment of a separate or Co-Trustee or the succession of a new Trustee;
- (f) To correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;
- (g) To make any revisions of the Indenture that shall be required by Fitch, Moody's or S&P in order to obtain or maintain an investment grade rating on the Bonds;
- (h) To provide for an uncertificated system of registering the Bonds or to provide for changes to or from the Book Entry System; or
- (i) To effect any other change herein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of Bonds.

In the event Fitch, S&P and/or Moody's has issued a rating of any of the Bonds, Fitch, S&P and/or Moody's, as the case may be, shall receive prior written notice from the Trustee of the proposed amendment but such notice shall not be a condition of the effectiveness of such amendment. Exclusive of supplemental indentures permitted above, the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that without the consent of the Owners of all Bonds Outstanding no supplemental indenture may be executed by the Issuer or the Trust that permits, (a) an extension of the maturity of the principal of, or the interest on, any Bond, or (b) a reduction in the principal amount of, 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 indentures or any modifications or waivers of the provisions of the Indenture or the Loan Agreement, or (e) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except as expressly permitted in the Indenture, or (f) the deprivation of the Owner of any Outstanding Bond of the lien created on the Trust Estate.

Amendments to the Loan Agreement. The Issuer and the Trustee may, upon receipt of an opinion of Bond Counsel to the effect that the proposed amendment will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes and is authorized by the Indenture, and without the consent of or notice to the Owners of Bonds, consent to any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Loan Agreement, (iii) so as to more precisely identify the Project, or to substitute or add additional improvements or equipment to the Project or additional rights or interests in property acquired in accordance with the provisions of the Loan Agreement, (iv) to enter into an

indenture or indentures supplemental hereto, (v) to make any revisions that shall be required by Fitch, Moody's and/or S&P in order to obtain or maintain an investment grade rating on the Bonds, or (vii) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of Bonds.

Except for the amendments, changes or modifications described above, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement without mailing of notice and the written approval or consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds, provided that the consent of the Owners of all Bonds Outstanding is required for any amendment, change or modification of the Loan Agreement that would permit the termination or cancellation of the Loan Agreement or a reduction in or postponement of the payments under the Loan Agreement or any change in the provisions relating to payment thereunder. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification; provided, that prior to the delivery of such notice or request, the Trustee and the Issuer may require that an opinion of Bond Counsel be furnished to the effect that such amendment, change or modification complies with the provisions of the Indenture and will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Owners of Bonds.

Defeasance; Satisfaction of Indenture. The Indenture provides that whenever the entire indebtedness secured by the Indenture shall have been fully paid, the Trustee shall cancel and discharge the lien of the Indenture. Any Bond shall be deemed to be paid when (a) payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure, without further investment or reinvestment thereof, in the opinion of an independent certified public accounting firm of national reputation (a copy of which opinion shall be furnished to the Rating Agency then providing the rating borne by the Bonds), the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and the Issuer pertaining to the Bonds with respect to which such deposit is made, shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid, such Bond shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

Before accepting or using any moneys to be deposited as described above, the Trustee may require that the Borrower furnish to it (i) an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds and that all conditions under the Indenture have been satisfied, and (ii) a certificate of an independent certified public accountant to the effect that such deposit will be sufficient to defease the Bonds as provided in the Indenture. The Trustee shall be fully protected in relying upon such Bond Counsel opinion and/or accountant's certificate in accepting or using any moneys so deposited.

General Provisions Concerning the Trustee. The Indenture provides that the Trustee shall not be liable thereunder except for its willful misconduct or its gross negligence. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Borrower) selected by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or inaction taken or not taken, as the case may be, in good faith in reliance upon such opinion or advice. The Trustee is not required to expend its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture without reasonable assurance of repayment or indemnity.

Fees, Charges and Expenses of the Trustee. The Trustee shall be entitled to payment of reasonable fees for its services rendered under the Indenture and reimbursement of all advances, counsel fees and other expenses reasonably made or incurred by the Trustee in connection with such services including, without limitation, the reasonable compensation, expenses and disbursements of its agents and counsel. Upon the occurrence of a Default, but only upon the occurrence of a Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of, premium, if any, and interest on any Bond upon the Trust Estate (exclusive of funds held by the Trustee for matured and unrepresented Bonds) for the foregoing fees, charges and expenses of the Trustee. When the Trustee incurs expenses or renders services after the occurrence of an Act of Bankruptcy with respect to the Borrower, 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 Issuer shall have no liability to pay any fees, charges or other expenses of the Trustee hereinabove mentioned

except from the amounts pledged under the Indenture. The rights of the Trustee under this Section shall survive the Trustee's resignation or removal.

Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' notice to the Issuer, the Borrower, and the Owner of each Bond. Such resignation shall not take effect (i) until the appointment of a successor Trustee or temporary Trustee and the acceptance by the successor or temporary Trustee of the appointment, and (ii) payment in full of all fees and expenses and other amounts payable to the Trustee pursuant to the Indenture or the Loan Agreement.

Removal of the Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer and signed by the Owners of at least a majority in aggregate principal amount of Outstanding Bonds. Such removal shall not take effect until (i) the appointment of a successor Trustee or temporary Trustee and (ii) payment in full of all fees and expenses and other amounts payable to the Trustee pursuant to the Indenture or the Loan Agreement.

Successor Trustee. If the Trustee resigns, is removed or becomes otherwise incapable of serving, a successor may be appointed by written instrument signed by the holders of a majority in principal amount of the Bonds then outstanding.

Summary of the Loan Agreement

Term. The term of the Loan Agreement will begin on the date of delivery of the Bonds and will continue until and including November 1, 2031 or until such time as all of the Bonds and the fees and expenses of the Issuer and the Trustee shall have been fully paid or provision made for such payments, whichever is later; provided, however, that the Loan Agreement may be terminated prior to such date pursuant to Article V of the Loan Agreement, but in no event before all of the obligations and duties of the Borrower under the Loan Agreement have been fully performed, including, without limitation, the payments of all costs and fees mandated thereunder.

Loan Payments. The Loan Agreement requires the Borrower to make loan payments at times and in amounts sufficient to pay debt service on the Bonds when due.

Additional Loan Payments. The Loan Agreement also requires the Borrower to make additional loan payments to the Issuer or to the Trustee, as the case may be, equal to (i) fees, charges, expenses, disbursements and advances made or incurred by the Trustee under the Indenture and (ii) the reasonable expenses of the Issuer incurred in connection with the Project and related transactions. To the extent the Debt Service Reserve Fund is drawn on in any given Fiscal Year, the Borrower shall be obligated to make payments to the Trustee to replenish the Debt Service Reserve Fund in full within one year of the withdrawal

Unconditional Obligation. The Loan Agreement provides that the obligations of the Borrower to make loan payments and to perform and observe its other agreements and covenants under the Loan Agreement are to be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer and the Trustee.

Tax Exemption. The Borrower covenants and agrees in the Loan Agreement that it will not take any action, or fail to take any action, if such action or failure to act would cause interest on the Bonds to be included in gross income of the holders thereof.

Financial Covenants.

(a) **Debt Service Coverage Ratio.** The Borrower shall, for each of its Fiscal Years, commencing with the Fiscal Year ending May 31, 2012, generate unrestricted funds available to pay debt service (principal and interest) at least equal to 120% of the Debt Service Requirement in such Fiscal Year. For purposes of Section 6.6 of the Loan Agreement, "unrestricted funds" shall mean the increase (or decrease) in unrestricted net assets (excluding unrealized gains or losses on investments, change in value of interest rate swaps, and change in the value of annuity agreements and other non-cash items taken into account in determining the increase (decrease) in unrestricted net assets in accordance with GAAP) plus depreciation, amortization, and interest expense for such Fiscal Year. The Borrower shall provide evidence of compliance to the Trustee on an annual basis in accordance with Section 6.9(h) of the Loan Agreement.

(b) **Liquidity Requirement.** The Borrower shall maintain Expendable Funds of not less than \$40,000,000. "Expendable Funds" shall be equal to cash plus the market value of "unrestricted investments" as described and defined in the investment disclosure section set forth in the annual audited financial statements of the Borrower. The Borrower shall provide evidence of compliance to the Trustee on an annual basis in accordance with Section 6.9(h) of the Loan Agreement.

(c) **Leverage Ratio.** The Borrower shall at all times maintain a ratio of “Total Net Assets,” as described and defined in the annual audited financial statement of the Borrower equal to or greater than all the principal amount of all Indebtedness outstanding. The Borrower shall provide evidence of compliance to the Trustee on an annual basis in accordance with Section 6.9(h) of the Loan Agreement.

(d) **Compliance with Financial Covenants.**

(i) The Borrower shall deliver to the Trustee the financial statements and other information, as required by Section 6.9(c)(ii) of the Loan Agreement reflecting the Borrower’s compliance with the financial covenants set forth in Sections 6.6, 6.7, and 6.8 therein.

(ii) If the Borrower is unable to comply with the financial covenants in Sections 6.6, 6.7, or 6.8 of the Loan Agreement, the Borrower shall, at least ninety (90) days after the end of the applicable Fiscal Year cause a Consultant to submit a report to the Trustee and the Owners showing for the next succeeding Fiscal Year the projected cash portion of the Borrower’s revenues, other than Net Proceeds of insurance or condemnation awards and other extraordinary items, debt service, and operating expenses for said next succeeding Fiscal Year and setting forth the recommendations of the Consultant for the revisions of tuition, rates and charges, and any other remedial steps, if necessary, in order to satisfy the covenants set forth Sections 6.6, 6.7, and 6.8 of the Loan Agreement. The Borrower shall, within 60 days after the Consultant submits its report to the Trustee and the Owners, describe in writing to the Trustee what actions the Borrower shall take in response to such report. The Borrower shall, within 180 days after the Consultant submits its report to the Trustee and the Owners, cause the Consultant to submit a follow-up report to the Trustee and the Owners to assess the Borrower’s compliance with the recommendations from the Consultant’s initial report.

(iii) If the Borrower is in noncompliance with any of the financial covenants set forth in Sections 6.6, 6.7, or 6.8 of the Loan Agreement in a second consecutive Fiscal Year, then such noncompliance shall constitute a Default under Section 8.1(b) therein.

Indebtedness. The Borrower shall not create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness the proceeds of which are applied to the refunding of then-outstanding Indebtedness, provided that such refunding shall not result in an increase in maximum annual debt service;

(b) Indebtedness that does not exceed \$3,000,000 in principal amount at any time; or

(c) Indebtedness with respect to which the Borrower first certifies in writing to the Trustee that, as of the date of issuance or incurrence of such Indebtedness (and assuming the issuance or incurrence of such Indebtedness), the Borrower is in compliance with the financial covenants set forth in Sections 6.6, 6.7, and 6.8 of the Loan Agreement. Compliance with the covenant set forth in Section 6.6 of the Loan Agreement shall be measured by comparing the generation of unrestricted funds available to pay debt service in the immediately preceding Fiscal Year (as described in Section 6.6 of the Loan Agreement) to the maximum annual Debt Service Requirement, following the issuance or incurrence of such Indebtedness (and the refunding of any previously outstanding Indebtedness, if applicable).

Negative Pledge. The Borrower shall not create, incur, assume or suffer to exist any Lien on any of its assets or property now owned or hereafter acquired, except:

(a) Permitted Liens;

(b) any Liens on any property or asset of the Borrower existing on the Issue Date; provided, however, that such Lien shall not apply to any other property or asset of the Borrower;

(c) purchase money Liens upon or in any fixed or capital assets to secure the purchase price or the cost of construction or improvement of such fixed or capital assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of such fixed or capital assets; provided, that (1) such Lien attaches to such asset concurrently or within 90 days after the acquisition, improvement or completion of the construction thereof; (2) such Lien does not extend to any other asset; and (3) the Indebtedness secured thereby does not exceed the cost of acquiring,

constructing or improving such fixed or capital assets;

(d) any Lien (1) existing on any asset of any Person at the time such Person is merged with or into the Borrower or (2) existing on any asset prior to the acquisition thereof by the Borrower; provided, that any such Lien was not created in the contemplation of any of the foregoing and any such Lien secures only those obligations which it secures on the date of such merger or the date of such acquisition;

(e) any Lien on funds of the Borrower resulting from the restriction of Borrower funds in a debt service reserve fund for the benefit of holders of Indebtedness issued or incurred pursuant to Section 6.10(a) of the Loan Agreement; provided that the size of any such debt service reserve fund shall not exceed the amount prescribed by Treasury Regulation Section 1.148-2(f)(2); and

(f) extensions, renewals, or replacements of any Lien referred to in paragraphs (a) through (e) of this subsection; provided, that the principal amount of the Indebtedness secured thereby is not increased and that any such extension, renewal or replacement is limited to the assets originally encumbered thereby.

Default. Any one or more of the following will constitute a Default under the Loan Agreement:

(a) Failure by the Borrower to pay principal, premium (if any) and interest on the Bonds as and when due.

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied shall have been given to the Borrower by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until such failure is corrected; and provided further that the failure to observe the covenants set forth in Sections 6.6, 6.7 and 6.8 of the Loan Agreement shall be subject to the provisions of Section 6.9(h)(iii) of the Loan Agreement.

(c) The dissolution or liquidation of the Borrower, except as authorized by Section 2.2 of the Loan Agreement, or the voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which shall remain undismissed for sixty (60) days, or failure by the Borrower to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower to carry on its operations at the Project, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower into an agreement of composition with its creditors or the failure generally by the Borrower to pay its debts as they become due.

(d) The occurrence of a Default under the Indenture.

(e) Any judgment which is final, writ or warrant of attachment, or of any similar process shall be entered or filed against the Borrower or against any property of the Borrower and remains unvacated, unpaid, unbonded, unstayed, or uncontested in good faith for a period of sixty (60) days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds five percent (5%) of the Unrestricted Net Assets of the Borrower as shown on or derived from the most recent audited financial statements of the Borrower.

(f) Default in the payment of, premium, if any, or interest on any Indebtedness when the same becomes due and payable, and any applicable grace period shall have expired, or an event of default as defined in any loan agreement, indenture, or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness; provided, however, that such default shall not constitute an event of default if payment of such Indebtedness has not been accelerated under the terms of payment of such Indebtedness or if within sixty (60) days, or within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness, the Borrower in good faith commences proceedings to contest the obligation to pay or the existence or payment of such Indebtedness; and provided, further however, a default in payment thereunder shall not constitute an event of default unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds ten percent (10%) of the Expendable Funds of the Borrower as shown on or derived from the most recent audited financial statements of the Borrower.

The provisions of subsection (b) of this Section are subject to the following limitation: if by reason of force

majeure the Borrower is unable in whole or in part to carry out any of its agreements contained herein (other than its obligations contained in Article IV of the Loan Agreement), the Borrower shall not be deemed in Default during the continuance of such inability. The term "force majeure" as used in the Loan Agreement shall mean, without limitation, the following: acts of God; strikes or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; and any other cause or event not reasonably within the control of the Borrower. The Borrower agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreement, provided that the settlement of strikes and other industrial disturbances shall be entirely within the discretion of the Borrower and the Borrower shall not be required to settle strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Borrower unfavorable to the Borrower.

Remedies Upon Default. If a Default occurs under the Loan Agreement, the Trustee may exercise any of the following remedies:

(a) If the Trustee has declared the Bonds immediately due and payable, by written notice to the Borrower, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages under the Loan Agreement and not as a penalty, whereupon the same shall become immediately due and payable;

(b) Have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower during regular business hours of the Borrower if reasonably necessary in the opinion of the Trustee; or

(c) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture. The provisions of this Section are subject to the further limitation that the rescission by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to paragraph (a) above and a waiver and rescission of the consequences of that declaration and of the Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

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APPENDIX D
FORM OF BOND COUNSEL OPINION

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(Closing Date)

The Health and Educational Facilities Board
of The Metropolitan Government of Nashville
and Davidson County, Tennessee
Nashville, Tennessee

U.S. Bank National Association, as Trustee
Nashville, Tennessee

Re: \$55,965,000 The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee Revenue Bonds (Belmont University Project), Series 2012

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Issuer"), a public, nonprofit corporation organized and existing under the laws of the State of Tennessee, pursuant to the provisions of Title 48, Chapter 101, Part 3, *Tennessee Code Annotated*, as amended (the "Act") of its Revenue Bonds (Belmont University Project), Series 2012, in the aggregate principal amount of \$55,965,000, dated the date of original issuance and delivery (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are issued under, and are equally and ratably secured by, an Indenture of Trust (the "Indenture"), dated as of May 1, 2012, from the Issuer to U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be loaned to Belmont University, a Tennessee nonprofit corporation (the "Borrower"), for the purposes of (1) refinancing indebtedness previously incurred by the Borrower to finance the acquisition, construction and equipping of a residence hall; (2) financing the acquisition, construction, and equipping of a residence hall, including an underground parking garage, all such facilities located and to be located on the campus of the Borrower (collectively, the "Project"); and, (3) paying certain costs of issuance of the Bonds.

The loan to be made by the Issuer to the Borrower will be made pursuant to a Loan Agreement, dated as of May 1, 2012 (the "Loan Agreement"), by and between the Issuer and the Borrower. The Issuer and the Borrower have also been required to enter into a Tax Exemption Agreement, dated as of the date hereof (the "Tax Exemption Agreement"), which sets forth certain terms and conditions relating to the use and investment of proceeds of the Bonds and of certain other moneys relating to the Bonds in order to comply with certain requirements of the Code.

The Bonds are issued as fully registered bonds and numbered as provided in the Indenture. The Bonds bear interest on the principal amount thereof at the rates, the principal thereof matures on the dates, and the Bonds are subject to redemption prior to maturity at the times, in the manner, and upon the terms, set forth in such Bonds and in the Indenture. Pursuant to the Indenture, the Issuer has assigned to the Trustee the rights of the Issuer (excepting only certain rights expressly excluded from such Indenture as more fully specified therein) in and to the Loan Agreement, as security for the payment by the Issuer of the principal of, and the premium, if any, and interest on, the Bonds.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer and the Borrower contained in the Indenture and the Loan Agreement, and the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Borrower, without undertaking to verify the same by independent investigation.

Based upon such examination and such other documents, showings, and related matters of law as we deem necessary to render this opinion, we are of the opinion that, under existing law:

(1) The Issuer is a public, nonprofit corporation duly organized and validly existing under the laws of the State of Tennessee, with full power to enter into, execute, deliver and perform its obligations under, and accept, as applicable, the Indenture and the Loan Agreement, and to issue, sell, and deliver the Bonds.

(2) The execution and delivery of the Indenture and the Loan Agreement have been duly authorized by all necessary action on the part of the Issuer, and the Indenture and the Loan Agreement have been duly executed and delivered by the Issuer, and, assuming due authorization, execution and delivery by the other interested parties thereto (other than the Issuer), constitute legal, valid and binding instruments enforceable against the Issuer in accordance with their respective terms, except to the extent the enforceability thereof may be limited by future proceedings under bankruptcy, reorganization, debt arrangement, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights generally.

(3) The Bonds are valid and legally binding upon the Issuer according to the import thereof, except to the extent the enforceability thereof may be limited by future proceedings under bankruptcy, reorganization, debt arrangement, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights generally. The Bonds are payable solely from the revenues and property pledged under the Indenture, including certain receipts derived under the Loan Agreement. The Indenture creates a valid pledge of the Trust Estate (as defined in the Indenture) for payment of the Bonds in accordance with the terms of the Indenture.

(4) The Bonds are an exempted security which does not require registration under the United States Securities Act of 1933, and the Indenture is not required to be qualified under the United States Trust Indenture Act of 1939.

(5) Interest on the Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, it should be noted that such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in this paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

(6) The Bonds and the interest on the Bonds are exempt from all state, county, and municipal taxation within the State of Tennessee except for inheritance, transfer, and estate taxes and except to the extent interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. We express no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee.

In rendering this opinion, we have assumed (a) the proper and authorized authentication of the Bonds by the Trustee in accordance with the Indenture and the proper and authorized execution and delivery of the Indenture by the Trustee, and (b) continuous compliance with certain covenants in the Indenture, the Loan Agreement, and the Tax Exemption Agreement designed to meet the requirements of the Act and the requirements of the Code and the regulations thereunder.

In addition, in rendering this opinion, we have further relied upon: (1) the opinion of even date herewith of Guenther, Jordan & Price, Nashville, Tennessee, counsel to the Borrower, with respect to, among other things, (i) the due organization and good standing of the Borrower and the status of the Borrower as an organization described in Section 501(c)(3) of the Code; (ii) the due authorization, execution, and delivery by the Borrower of the Loan Agreement and the Tax Exemption Agreement; and (iii) matters which might be disclosed by an examination of agreements or instruments to which the Borrower is a party or by which the Borrower or any of its property or assets

is bound; and, (2) representations and certifications of the Borrower, without undertaking to verify the same by independent investigation.

We express no opinion as to the title to, or the description of, the real property described in the Loan Agreement. Further, we express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds, or regarding the perfection or priority of the lien on revenues or other funds created by the Indenture. In addition, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein. We have not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the tax status of the interest on the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion as to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

ADAMS AND REESE LLP

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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\$55,965,000
**THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE**

**REVENUE BONDS
(BELMONT UNIVERSITY PROJECT),
SERIES 2012**

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Agreement”) is dated as of May 1, 2012 for convenience of reference, and is made and entered into to be effective as of May 30, 2012 (the “Effective Date”), between **BELMONT UNIVERSITY** (the “University”), and **U.S. BANK NATIONAL ASSOCIATION**, as dissemination agent (the “Dissemination Agent”), to provide certain continuing disclosure with respect to **THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE REVENUE BONDS (BELMONT UNIVERSITY PROJECT), SERIES 2012** (the “Series 2012 Bonds”) issued in the original aggregate principal amount of \$55,965,000. Capitalized terms used, but not defined, herein shall have the meanings ascribed thereto in the hereinafter defined Official Statement.

WHEREAS, on the Effective Date hereof, The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee (the “Board”) has issued the Series 2012 Bonds pursuant to the Indenture of Trust, dated as of May 1, 2012 (the “Indenture”) between the Board and U.S. Bank National Association, as trustee (the “Trustee”);

WHEREAS, the Series 2012 Bonds are special limited obligations of the Board payable solely from loan payments to be made by the University to the Board pursuant to a Loan Agreement, dated as of May 1, 2012 (the “Loan Agreement”), between the Board and the University; the University’s obligation under the Loan Agreement to pay amounts to the Board sufficient in time and amount to enable the Board to pay the principal of and interest on the Series 2012 Bonds is absolute and unconditional and will not expire so long as any of the Series 2012 Bonds remain outstanding and unpaid;

WHEREAS, the Board and the University authorized the preparation and distribution of the Preliminary Official Statement dated May 11, 2012 with respect to the Series 2012 Bonds (the “Preliminary Official Statement”) and, on or about the date of the Preliminary Official Statement, the Board and the University each deemed that the Preliminary Official Statement was final within the meaning of Rule 15c2-12, as amended (the “Rule”) of the Securities and Exchange Commission (“SEC”);

WHEREAS, upon the sale of the Series 2012 Bonds to Stephens Inc. and SunTrust Robinson Humphrey (collectively, the “Underwriters”), pursuant to the Bond Purchase Agreement, dated May 22, 2012 (the “Bond Purchase Agreement”), among the University, the Board and the Underwriters, the Board and the University authorized the preparation and distribution of the Official Statement dated May 22, 2012 with respect to the Series 2012 Bonds (the “Official Statement”);

WHEREAS, as a condition precedent to the purchase of the Series 2012 Bonds by the Underwriters on the date of issuance in accordance with the Bond Purchase Agreement, and in order to accommodate the compliance by the Underwriters with their obligations under the Rule, the University has agreed to enter into this Agreement and to provide for the public disclosure of certain information concerning the University, the Series 2012 Bonds and the security for the Series 2012 Bonds on an ongoing basis for so long as the Series 2012 Bonds remain outstanding as set forth herein, and the Dissemination Agent has agreed to serve as dissemination agent for the University with respect to such continuing public disclosure in accordance with this Agreement (the Indenture, the Loan Agreement, the Bond Purchase Agreement and the Official Statement are referred to herein, collectively and each respectively, as the “Financing Documents”);

NOW THEREFORE, in consideration of the mutual promises and agreements made herein, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions. (a) As provided hereinabove, for the purposes of this Agreement, all capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed thereto in the Official Statement the Indenture and the Loan Agreement.

(b) In addition to the terms defined elsewhere herein, the following terms shall have the following meanings for the purposes of this Agreement:

“Annual Disclosure Report” “Annual Filing” and “Annual Finance Statements” each shall have the respective meaning set forth in Section 3 hereof.

“Annual Filing Date” means the date that is one hundred eighty (180) days after the last day of the University’s Fiscal Year (currently ending May 31). The Annual Filing Date may be changed by the University upon the change of its Fiscal Year and by giving written notice thereof pursuant to Section 4(b) hereof.

“Beneficial Owner” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Series 2012 Bonds (including persons holding Series 2012 Bonds through nominees, depositories, or other intermediaries) or (b) is treated as the owner of any of the Series 2012 Bonds for federal income tax purposes.

“Filing” means, as applicable, any Annual Filing or Listed Event Filing or any other notice or report made public under this Agreement.

“Listed Event Filing” mean a Listed Event Filing as defined in Section 4 hereof.

“Listed Event” means, collectively and each respectively, the “Listed Events” specified in Section 4 hereof.

“make public” (or any variation thereof) as used herein means the public disclosure of the information specified in Sections 3, 4 and 5 hereof at the times, by the means and to the parties specified in Section 7 hereof and otherwise as provided in this Agreement.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor to its functions for the purposes of the Rule for so long as such entity or any successor is a repository for the purposes of the Rule. In the event such entity or any successor ceases to have a role under the Rule as a result of an amendment to the Rule, all references in this Agreement to “MSRB” shall be disregarded and deemed deleted from this Agreement.

“State Repository” or “SID” means the information depository designated by the State of Tennessee, if any, for municipal securities information depository purposes.

“Third Party Beneficiaries” shall have the meaning set forth in Section 2(c) hereof.

“University Disclosure Representative” means the person designated in writing by the University to the Dissemination Agent as the primary contact at the University for the Dissemination Agent for matters arising under this Agreement, which initial primary contact is Steven Lasley, Vice President of Finance and Operations of the University. The University agrees to promptly notify the Dissemination Agent of any change of the University Disclosure Representative and any change of contact information for such person; the contact information on the Effective Date hereof is set forth in Section 12 hereof.

Section 2. Scope of this Agreement. (a) The University has agreed to enter into this Agreement and to undertake its disclosure obligations hereunder at the request of the Underwriters and as a condition precedent to the Underwriters’ purchase of the Series 2012 Bonds pursuant to the Bond Purchase Agreement in order to assist the Underwriters’ compliance with the Rule, and the Dissemination Agent has agreed to enter into this Agreement at the request of the University. The obligations of the University under this Agreement relate solely to the Series 2012 Bonds and shall not apply to any other securities issued or to be issued by or for the benefit of the University, whether issued under the Indenture or otherwise.

(b) This Agreement constitutes the University's agreement to disclose all information related to the Series 2012 Bonds required to be provided in accordance with the Rule. The University will be responsible for preparing each notice or report to be made public by the Dissemination Agent on behalf of the University in accordance with the terms of this Agreement. The Dissemination Agent will have no responsibility whatsoever for the content of any notices or reports prepared by the University hereunder.

(c) Neither this Agreement, nor the performance by the University or the Dissemination Agent of their respective obligations hereunder, shall create any third party beneficiary rights, shall not be enforceable by any third party, and shall not constitute a basis for a claim by any person, except as expressly provided herein and except as required by law, including, without limitation, the Rule; provided, however, each of the Underwriters and each Beneficial Owner of Series 2012 Bonds is hereby made a third party beneficiary hereof (collectively and each respectively, "Third Party Beneficiaries") and shall have the right to enforce the obligations of the parties hereunder pursuant to Section 10 hereof.

(d) The University acknowledges that it is the "obligated person" within the meaning of the Rule with respect to the Series 2012 Bonds. Nothing in this Agreement shall be construed to mean or imply that the Dissemination Agent or the Board is an "obligated person" under the Rule.

(e) Notwithstanding any provision of this Agreement to the contrary, and without limiting the obligations of the Dissemination Agent hereunder, as to the Third Party Beneficiaries the University is and shall remain responsible for disclosure of all information related to the Series 2012 Bonds required to be provided in accordance with the Rule.

(f) This Agreement shall terminate upon the defeasance, redemption or payment in full of all Series 2012 Bonds.

Section 3. Annual Filings. The University shall provide to the Dissemination Agent not later than ten (10) calendar days prior to the Annual Filing Date an electronic copy of the following annual reports, each for the annual period ending on the last day of the University's Fiscal Year, commencing with the Fiscal Year ending on May 31, 2012:

(a) An annual financial and operating data disclosure report with respect to the University, the Series 2012 Bonds, and the security for the Series 2012 Bonds, containing financial information and operating data, including, without limitation, of the type included in Appendix A - "Certain Information Concerning Belmont University" affixed the Official Statement, under the following headings therein: (1) "Admissions and Enrollment", including the applications and admissions statistics (including average SAT score of enrolled class, but excluding the geographic distribution statistics) and including the headcount enrollment and full-time equivalent enrollment statistics, (2) "Student Charges" for the University (but not for the other educational institutions), and (3) "Endowment and Similar Funds" (collectively, the "Annual Disclosure Report");

(b) The annual audited financial statements of the University prepared by a firm of certified public accountants in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as in effect from time to time, and presented on a two year comparative basis for informational purposes (the "Audited Financial Statements" and, together with the Annual Disclosure Report, the "Annual Filing");

(c) If applicable, each Annual Filing also shall contain or incorporate by reference the following: (1) if the accounting principles pursuant to which the Annual Audited Financials are prepared have changed from the University's previous fiscal year, a description of such change and the qualitative impact of the change; and (2) if the University's fiscal year has changed, a statement indicating the new fiscal year of the University; and

(d) In the event the Audited Financial Statements are not available by the aforesaid deadline for submission to the Dissemination Agent, the University shall provide to the Dissemination Agent by such deadline either (i) its unaudited annual financial statements or (ii) a notice ready for filing with the MSRB as to

when the Audited Financial Statements are expected to be filed, and in any event the University shall provide its Audited Financial Statements to the Dissemination Agent as soon as practicable.

Section 4. Listed Events Filings. (a) Upon the occurrence of any of the following events with respect to the Series 2012 Bonds (collectively and each respectively, the “Listed Events”), the University shall provide to the Dissemination Agent in a prompt and timely manner electronic copies of a written notice of the occurrence of each such Listed Event (a “Listed Event Filing”), together with the written authorization and direction from the University directing the Dissemination Agent to make public such written notice, including the date on which the University instructs the Dissemination Agent to make public such notice. The Listed Event Filing must be filed by the Dissemination Agent with the MSRB no later than ten (10) business days after the occurrence of the Listed Event. The following are the Listed Events:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) In addition, if applicable, the University hereby agrees to provide to the Dissemination Agent an electronic copy of written notice of (i) failure of the University to provide the Annual Disclosure Report and/or Annual Financial Statements required under Section 3 hereof not later than five (5) business days prior to the Annual Filing Date, (ii) any amendment to or modification of this Agreement or the type of financial information or operating data included in the University’s Annual Disclosure Report, and (iii) unless otherwise promptly disclosed as a part of an Annual Filing pursuant to Section 3(c) hereof, any change of the accounting principles pursuant to which the Audited Financial Statements are prepared or any change of the University’s Fiscal Year.

Section 5. Dissemination Agent Notices. (a) If on the fifth (5th) business day prior to the Annual Filing Date, the Dissemination Agent has not received a copy of the Annual Filing, the Dissemination Agent shall contact

the University Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the University of its undertaking to provide the Annual Filing pursuant to Section 3(a). Upon receipt of such reminder, the University Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Filing no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Dissemination Agent in writing that the University will not be able to file the Annual Report by the Annual Filing Date, state the date by which the Annual Filing for such year will be provided, provide to the Dissemination Agent the written notice required under Section 4(b)(i), and instruct the Dissemination Agent to immediately send such notice to the MSRB and the State Depository (if any).

(b) If the Dissemination Agent has not received either an Annual Filing or the written notice described in Sections 4(b)(i) and 5(a)(ii) hereof by 12:00 noon on the first business day following the Annual Filing Date, the University hereby irrevocably directs the Dissemination Agent to immediately send a notice containing the information described in Section 4(b)(i) to the MSRB and the State Depository (if any).

(c) If Audited Financial Statements of the University are not available prior to the Annual Filing Date, when the Audited Financial Statements are available, the University shall provide an electronic copy thereof in a prompt and timely manner to the Dissemination Agent for filing with the MSRB and the State Depository (if any).

(d) The Dissemination Agent shall:

(i) upon receipt, promptly file each Annual Disclosure Report received under Section 3(a) with the MSRB and the State Depository (if any);

(iii) upon receipt, promptly file the Audited Financial Statements received under Section 3(b) with the MSRB and the State Depository (if any); and

(iv) upon receipt, promptly file each Listed Event Filing with the MSRB and the State Depository (if any).

(e) The Dissemination Agent shall be under no obligation to notify the University of an event that may constitute a Listed Event. In the event the Dissemination Agent so notifies the University, within five (5) business days of receipt of such notice the University will give the Dissemination Agent written notice that (i) a Listed Event has not occurred and no filing is to be made or (ii) a Listed Event has occurred and instructing the Dissemination Agent to file a Listed Event Filing pursuant to subsection (d)(iv) hereof, and in the latter case the University also shall furnish to the Dissemination Agent an electronic copy of the Listed Event Filing, the written authorization of the University for the Dissemination Agent to make public such Listed Event Filing, and the date the University instructs the Dissemination Agent to make public the Listed Event Filing. The Listed Event Filing must be filed by the Dissemination Agent with the MSRB no later than ten (10) business days after the occurrence of the Listed Event.

(f) Whenever the University provides information to the Dissemination Agent, including, without limitation, Annual Filings, Listed Event Filings and other voluntary filings pursuant to Section 6(c) hereof, the University shall indicate the full name of the Series 2012 Bonds and the 9-digit CUSIP numbers for the Series 2012 Bonds to which the provided information relates, which CUSIP numbers as of the effective date hereof are set forth in the Official Statement for the Series 2012 Bonds.

(g) The University acknowledges and understands that the duties of the Dissemination Agent relate exclusively to performance of the ministerial tasks of disseminating information as described in this Agreement.

Section 6. Content of Filings. (a) The University shall be solely responsible for the content of any filings, reports or notices prepared by the University pursuant to this Agreement. The Dissemination Agent shall not be responsible for reviewing or verifying or determining in any way the accuracy or completeness of any filings, reports or notices prepared by the University pursuant to this Agreement.

(b) Each Listed Event Filing delivered by the University to the Dissemination Agent pursuant to Section 4 hereof shall be in electronic form suitable for distributing publicly. If an item of information required to

be contained in any Annual Filing or any Listed Event Filing from the University pursuant to this Agreement would be misleading without explanation, the University shall additionally provide a statement as a part of such Annual Filing or Listed Event Filing explaining or clarifying such disclosure item in order that the statement and the disclosure item will not be misleading in light of the circumstances in which made.

(c) Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Filing or Listed Event Filing, in addition to that which is required by this Agreement. If the University chooses to include any information in any Annual Filing or Listed Event Filing not required by the Rule or this Agreement, the University shall have no obligation under this Agreement to update such information or include it in any future Annual Filing or Listed Event Filing.

(d) Any report, notice or other filing made public pursuant to this Agreement may consist of a single document or as separate documents comprising a package and may incorporate by reference other clearly identified documents or specified portions thereof previously filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB.

Section 7. Means of Making Information Public. (a) All filings and other notices and reports required to be made public under this Agreement shall be made public by the Dissemination Agent by providing such filings, notices and reports (i) electronically to the MSRB at emma.msrb.org, accompanied by identifying information as prescribed by the MSRB and submitted in any other manner pursuant to, and in accordance with, SEC Release No. 34-59062 and (ii) to any State Repository in whatever means permissible under State law at the time of filing.

(b) At the time the University or the Dissemination Agent provides any information to the MSRB or any State Repository, such party shall simultaneously notify the other party hereto, by written electronic transmission that such information has been made public and shall include a copy of such public disclosure filing, notice, report or other information.

Section 8. Limitations on Disclosure. Nothing in this Agreement shall be construed to require the University or the Dissemination Agent to interpret or provide an opinion concerning information made public pursuant to this Agreement. Nothing in this Agreement shall be construed to require or authorize the Dissemination Agent to make public any information concerning the University or the Series 2012 Bonds excepting that required by this Agreement.

Section 9. Dissemination Agent Provisions. (a) The University has appointed the Dissemination Agent as its initial Dissemination Agent under this Agreement. The University may, upon at least thirty (30) days prior written notice to the Dissemination Agent, replace or appoint a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty (30) days' prior written notice to the University. Upon termination of the Dissemination Agent's services as Dissemination Agent, whether by notice of the University or Dissemination Agent, the University agrees to appoint a successor Dissemination Agent or, alternatively, agrees to assume all responsibilities of Dissemination Agent under this Agreement for the benefit of the Third Party Beneficiaries (including without limitation, the Underwriters and the Beneficial Owners of the Series 2012 Bonds). Notwithstanding any replacement or appointment of a successor, the University shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited by the extent the University has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall have no duty with respect to the content of any filings, disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any filings or any other information, disclosures or notices provided to it by the University and shall not be deemed to be acting in any fiduciary capacity for the University, the Third Party Beneficiaries or any other party. The Dissemination Agent shall have no responsibility for the University's failure to report to the Dissemination Agent a Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the University has complied with this Agreement. The Dissemination Agent may conclusively rely upon written representations, notices and certifications of the University at all times.

(c) The University agrees to indemnify and save the Dissemination Agent and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct.

The obligations of the University under this Section 9(c) shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Series 2012 Bonds.

(d) The University and the Dissemination Agent each may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. Each party shall be responsible for the fees and expenses of such counsel unless the University expressly agrees in writing to the contrary.

Section 10. Defaults; Remedies. (a) A party shall be in default of its obligations hereunder if it fails and refuses to carry out or perform its obligations hereunder for a period of thirty (30) days following notice of default given in writing to such party by any other party hereto or by any Third Party Beneficiary hereof, unless such default is cured within such thirty (30) day cure period. An extension of such thirty (30) day cure period may be granted for good cause (in the reasonable judgment of the party granting the extension) by written notice.

(b) If a default occurs and continues beyond the notice and cure period specified above, the nondefaulting party or any named Third Party Beneficiary hereof may seek specific performance of the defaulting party's obligations hereunder as the sole and exclusive remedy available upon any such default (excepting only as provided in subsection (d) of this Section); provided, however, as to any default consisting of a failure to make public any report, notice or other filing required under this Agreement, any Beneficial Owner of the Series 2012 Bonds may seek such specific performance directly or may give the Dissemination Agent written direction to seek specific performance, and upon receipt of such written direction and receipt of indemnification satisfactory to the Dissemination Agent, the Dissemination Agent shall seek such specific performance; provided further, however, as to any default or alleged default consisting of the inadequacy of the information included in any report, notice or other filing made public pursuant to this Agreement, no Beneficial Owner of Series 2012 Bonds shall have the right to seek specific performance directly and the Dissemination Agent shall be obligated to seek such specific performance on behalf of Beneficial Owners of Series 2012 Bonds only upon written direction of Beneficial Owners of not less than twenty-five percent (25%) in aggregate principal amount of Series 2012 Bonds then outstanding and upon receipt of indemnification satisfactory to the Dissemination Agent. Each of the parties and Third Party Beneficiaries hereof hereby acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder, and therefore agrees that the exclusive remedy of specific performance will be available to enforce this Agreement (excepting only as provided in subsection (d) of this Section).

(c) Notwithstanding any provision of this Agreement, the Indenture or the Loan Agreement to the contrary, no default under this Agreement shall constitute a default or Event of Default under the Indenture or the Loan Agreement or the Series 2012 Bonds.

(d) Notwithstanding any provision of subsection (b) of this Section to the contrary, in the event the default that has occurred and continued beyond the notice and cure period specified in subsection (a) hereof and consists of the University's failure to pay the Dissemination Agent amounts due hereunder, the Dissemination Agent's remedies shall not be limited to specific performance, and the Dissemination Agent may pursue any remedy available thereto, including, without limitation, the right to resign hereunder in accordance with Section 9(a) hereof.

Section 11. Amendment or Modification. (a) This Agreement shall not be amended or modified except as provided in this Section and may not be amended or modified except by a writing executed by the Dissemination Agent and the University. No modification, amendment, alteration or termination of all or any part of this Agreement shall be construed to be, or operate as, altering or amending in any way the provisions of the Indenture or the Loan Agreement. The University shall make public a notice of any amendment or modification of this Agreement in accordance with Section 4(b) hereof.

(b) The University and the Dissemination Agent hereby agree that this Agreement shall be amended or modified from time to time as may be necessary or desirable to conform the terms hereof to the Rule or any official release of the SEC with respect to the Rule, to the extent applicable to the subject matter hereof, including, without limitation, the following: this Agreement may be amended in connection with a change in circumstances that arises from a change in legal requirements or a change in the identity, nature or status of the University or any other "obligated person" under the Rule with respect to the Series 2012 Bonds or the type of business conducted thereby, provided, however, that (i) this Agreement as so amended would have complied with the Rule at the time of initial issuance and sale of the Series 2012 Bonds, after taking into account any amendments or interpretative releases of the SEC with respect to the Rule and any change in circumstances occurring since such time of initial issuance and sale of the Series 2012 Bonds and (ii) the amendment does not materially impair the interests of the Beneficial Owners of the Series 2012 Bonds, as determined by either (A) an opinion of Bond Counsel or other counsel to the University or (B) approving vote of the Beneficial Owners of the Series 2012 Bonds in accordance with the procedures and requirements substantially similar to those applicable to supplements or amendments to the Indenture pursuant to the terms of the Indenture (including, without limitation, the percentage of Beneficial Owners whose approval is required to supplement or amend the Indenture).

Section 12. All notices pursuant to this Agreement shall be in writing (including, without limitation, notices sent electronically by e-mail, telecopy, or similar written telecommunication), and shall be effective upon receipt thereof on a business day. All notices shall be directed to the applicable party and to the attention of the respective person listed below, or at such other address or to the attention of such other person as such party shall have designated for such purpose in written notice.

The University:

Belmont University

Attention: _____
Telephone No.: _____
Telecopy No.: _____
E-mail: _____

The Dissemination Agent:

U.S. Bank National Association

Attention: _____
Telephone No: _____
Telecopy No: _____
E-mail _____

Section 13. Miscellaneous. (a) Representations. Each of the parties hereto represents and warrants to each other party that (i) it has duly authorized the execution and delivery of this Agreement by the officers of such party whose signatures appear on the execution pages hereto, (ii) it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (iii) the execution and delivery of this Agreement, and performance of the terms hereof, do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party or its property or assets is bound, and (iv) there is no litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Series 2012 Bonds.

(b) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Tennessee and applicable federal law.

(c) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(d) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the University and the Dissemination Agent have each caused their duly authorized officers to execute this Continuing Disclosure Agreement as of the Effective Date hereinabove written.

BELMONT UNIVERSITY

By: _____
Its: President

**U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent**

By: _____
Its: _____

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