



\$22,150,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
THE CULINARY INSTITUTE OF AMERICA
REVENUE BONDS, SERIES 2012

Dated: Date of Delivery

Due: July 1, as shown below

Payment and Security: The Culinary Institute of America Revenue Bonds, Series 2012 (the "Series 2012 Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority") payable solely from and secured by a pledge of (i) certain payments to be made under the Loan Agreement (the "Loan Agreement"), dated as of September 19, 2012, between The Culinary Institute of America (the "Institute") and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) established pursuant to the Authority's The Culinary Institute of America Series 2012 Resolution Authorizing Up To \$42,000,000 Series 2012 Bonds, adopted September 19, 2012 (the "Series 2012 Resolution") and held under The Culinary Institute of America Revenue Bond Resolution, adopted September 19, 2012 (the "Resolution" and, together with the Series 2012 Resolution, the "Resolutions"). The Loan Agreement is a general obligation of the Institute and requires the Institute to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2012 Bonds, as such payments become due. The obligations of the Institute under the Loan Agreement to make such payments are secured by a pledge of tuition and fee revenue of the Institute, subject to the Prior Pledges.

The Series 2012 Bonds will not be a debt of the State of New York (the "State") and the State will not be liable on the Series 2012 Bonds. The Authority has no taxing power.

Description: The Series 2012 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due July 1, 2013 and each January 1 and July 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2012 Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least \$1,000,000 in principal amount of Series 2012 Bonds, by wire transfer to the holder of such Series 2012 Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2012 Bonds will be payable at the principal corporate trust office of U.S. Bank, National Association, New York, New York, the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2012 Bonds, by wire transfer to the holder of such Series 2012 Bonds as more fully described herein.

The Series 2012 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2012 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2012 Bonds, payments of the principal, Redemption Price and Purchase Price of and interest on such Series 2012 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2012 BONDS - Book-Entry Only System" herein.

Redemption or Purchase: *The Series 2012 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein.*

Tax Exemption: In the opinion of Hiscock & Barclay, LLP, Bond Counsel to the Authority, under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations by the Authority and the Institute, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Code. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that interest on the Series 2012 Bonds is exempt under existing laws from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York and the City of Yonkers). See "PART 10 - TAX MATTERS" herein regarding certain other tax considerations.

\$8,925,000 Serial Bonds									
Due July 1,	Amount	Interest Rate	Yield	CUSIP Number⁽¹⁾	Due July 1,	Amount	Interest Rate	Yield	CUSIP Number⁽¹⁾
2013	\$655,000	3.00%	0.98%	649907FG2	2017	\$1,000,000	5.00%	1.84%	649907FL1
2014	890,000	3.00%	1.24%	649907FH0	2018	1,045,000	5.00%	2.05%	649907FM9
2015	925,000	4.00%	1.42%	649907FJ6	2019	1,095,000	5.00%	2.32%	649907FN7
2016	955,000	4.00%	1.63%	649907FK3	2020	1,150,000	5.00%	2.60%	649907FP2
					2021	1,210,000	5.00%	2.79%	649907FQ0
					\$4,040,000 5.00% Term Bonds Due July 1, 2028, Yield 3.39%⁽²⁾ CUSIP Number 649907FR8⁽¹⁾				
					\$3,190,000 5.00% Term Bonds Due July 1, 2034, Yield 3.75%⁽²⁾ CUSIP Number 649907FS6⁽¹⁾				
					\$5,995,000 5.00% Term Bonds Due July 1, 2042, Yield 4.07%⁽²⁾ CUSIP Number 649907FT4⁽¹⁾				

The Series 2012 Bonds are offered when, as, and if issued and received by the Underwriter. The offer of the Series 2012 Bonds may be subject to prior sale, or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hiscock & Barclay, LLP, Albany, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Institute by its Counsel, Corbally, Gartland and Rappleyea, LLP, Poughkeepsie, New York. Certain legal matters will be passed upon for the Underwriter by its co-counsel, Trespass & Marquardt, LLP, Syracuse, New York and Marous & Marous, P.C. New York, New York. The Authority expects to deliver the Series 2012 Bonds in definitive form in Albany, New York, on or about October 26, 2012.



RBC Capital Markets®

October 5, 2012

⁽¹⁾ CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2012 Bonds. Neither the Authority nor the Underwriter is responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2012 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2012 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2012 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2012 Bonds.

⁽²⁾ Priced at the stated yield to the July 1, 2022 optional redemption date at a redemption price of 100%

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institute or the Underwriter to give any information or to make any representations with respect to the Series 2012 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institute or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Institute and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriter guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Institute has reviewed the parts of this Official Statement describing the Institute, the Mortgage, the Principal and Interest Requirements, the Project, the Refunding Plan, the Estimated Sources and Uses of Funds and Appendix B. As a condition to delivery of the Series 2012 Bonds, the Institute will certify that as of the date of this Official Statement and of delivery of the Series 2012 Bonds, such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institute makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

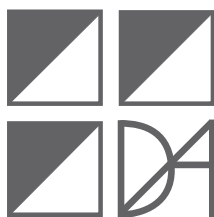
References in this Official Statement to the Act, the Resolution, the Series 2012 Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2012 Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2012 Resolution and the Loan Agreement are on file with the Authority and the Trustee. The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

Under no circumstances will the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority or the Institute have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2012 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK
PAUL T. WILLIAMS, JR. – EXECUTIVE DIRECTOR

515 BROADWAY, ALBANY, NY 12207
ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO
\$22,150,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
THE CULINARY INSTITUTE OF AMERICA
REVENUE BONDS, SERIES 2012

PART 1 — INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and the Institute, in connection with the offering by the Authority of its \$22,150,000 aggregate principal amount The Culinary Institute of America Revenue Bonds, Series 2012 (the “Series 2012 Bonds”). The following is a brief description of certain information concerning the Series 2012 Bonds, the Authority and the Institute. A more complete description of such information and additional information that may affect decisions to invest in the Series 2012 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2012 Bonds are being issued for the purpose of providing funds which, together with other available moneys, will be used to (i) pay all or a portion of the Costs of the Project, which includes both construction of a new campus facility and the current refunding of all or a portion of the Authority’s The Culinary Institute of America Insured Revenue Bonds, Series 1999 (the “Refunded Bonds”), (ii) pay a portion of the interest on the Series 2012 Bonds, (iii) fund a Debt Service Reserve Fund for the Series 2012 Bonds, and (iv) pay the Costs of Issuance of the Series 2012 Bonds. See “PART 4 — THE PROJECT,” “PART 5 — THE REFUNDING PLAN” and “PART 6 — ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2012 Bonds will be issued pursuant to the Act, the Resolution, and the Series 2012 Resolution. The Series 2012 Bonds are the first Series of Bonds to be issued under the Resolution. In addition to the Series 2012 Bonds, the Resolution authorizes the issuance of other Series of Bonds, pursuant to separate Series Resolutions, to pay other Costs of one or more Projects for the benefit of the Institute, to pay the Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes or bonds of the Authority or indebtedness of the Institute. Each Series of Bonds will be separately secured from each other Series. There is no limit on the amount of additional Bonds that may be issued under the Resolution, which Bonds may be issued at any time after the scheduled delivery date of the Series 2012 Bonds. See “PART 3 – THE SERIES 2012 BONDS” and “PART 7 – THE INSTITUTE – Future Capital Plans.” Additional indebtedness secured on a parity with the security interest in the Pledged Revenues is permitted with the Authority’s consent under the Loan Agreement. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS – Issuance of Additional Indebtedness” and “Appendix C - Summary of Certain Provisions of the Loan Agreement.”

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, healthcare, governmental and not-for-profit institutions. See “PART 8 — THE AUTHORITY.”

The Institute

The Institute is an independent education corporation chartered by the Board of Regents of the University of the State of New York. The Institute’s main campus is located in Hyde Park, New York. See “PART 7 - THE INSTITUTE” and “Appendix B - Financial Statements of The Culinary Institute of America With Report of Independent Auditors.”

The Series 2012 Bonds

The Series 2012 Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2013 and on each January 1 and July 1 thereafter) at the rate and will mature as set forth on the cover page of this Official Statement. See “PART 3 - THE SERIES 2012 BONDS - Description of the Series 2012 Bonds.”

Payment of the Series 2012 Bonds

The Series 2012 Bonds are special obligations of the Authority payable solely from the Revenues which consist of certain payments to be made by the Institute under the Loan Agreement, which payments are pledged and assigned to the Trustee. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Payment of the Series 2012 Bonds.”

Security for the Series 2012 Bonds

The Series 2012 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues and the security interest in the Pledged Revenues, subject to the Prior Pledges, granted by the Institute to the Authority under the Loan Agreement.

The Series 2012 Bonds will also be secured by the proceeds from the sale of the Series 2012 Bonds (until disbursed as provided by the Resolution) and by all funds and accounts (except the Arbitrage Rebate Fund) established pursuant to the Series 2012 Resolution and held under the Resolution, including the Debt Service Reserve Fund. Each Series of Bonds issued under the Resolution will be separately secured from each other Series of Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Security for the Series 2012 Bonds.”

The Series 2012 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. Neither the State nor the Authority has any responsibility to make payments with respect to the Series 2012 Bonds except for the Authority’s responsibility to make payments from moneys received from the Institute pursuant to the Loan Agreement and from amounts held in the funds and accounts established pursuant to the Series 2012 Resolution and pledged therefor.

Financial Covenants

The Institute has entered into certain financial covenants in the Loan Agreement, including a provision for the maintenance of a debt service coverage ratio, a provision for the maintenance of balance sheet liquidity and a covenant related to incurrence of additional debt. For a description of such covenants, see “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS – Financial Covenants – *Additional Indebtedness.*”

The Mortgage

The Institute’s obligations to the Authority under the Loan Agreement will be additionally secured by the Mortgage on the Mortgaged Property (as defined below) and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. The Authority may, but has no present intention to, assign the Mortgage and such security interests to the Trustee. Unless the Mortgage and such security

interests are assigned to the Trustee, neither the Mortgage, the security interests in such fixtures, furnishings and equipment nor any proceeds therefrom will be pledged to the Holders of the Series 2012 Bonds. Prior to any assignment of the Mortgage to the Trustee, property subject to the Mortgage may be released, and the Mortgage may be amended, with the prior written consent of the Authority, but without the consent of the Trustee or the Holders of any Series 2012 Bonds.

The Project

The Project consists of the construction and equipping of a two-story theater and the refunding of the Refunded Bonds. See “PART 4 - THE PROJECT” and “PART 5 – THE REFUNDING PLAN.”

PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2012 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreement, the Resolution and the Series 2012 Resolution. Copies of the Loan Agreement, the Resolution and the Series 2012 Resolution are on file with the Authority and the Trustee. See also “Appendix C — Summary of Certain Provisions of the Loan Agreement” and “Appendix D — Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2012 Bonds

The Series 2012 Bonds will be special obligations of the Authority. The principal of and interest on the Series 2012 Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institute under the Loan Agreement on account of the principal and Sinking Fund Installments of and interest on the Outstanding Series 2012 Bonds. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Series 2012 Bonds.

The Loan Agreement is a general obligation of the Institute and obligates the Institute to make payments to satisfy the principal and Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2012 Bonds. Generally, such payments are to be made monthly on the 10th day of each month. Each payment is to be equal to a proportionate share of the interest on the Series 2012 Bonds coming due on the next succeeding interest payment date and of the principal and Sinking Fund Installments coming due on the next succeeding July 1. The Loan Agreement also obligates the Institute to make payments to the Trustee sufficient to pay the amount, if any, required to pay the Redemption Price or Purchase Price of Series 2012 Bonds called for redemption or purchase at least 45 days prior to a redemption date or purchase date. See “PART 3 - THE SERIES 2012 BONDS - Redemption and Purchase in Lieu of Redemption Provisions.”

The Authority has directed the Institute, and the Institute has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal of and interest on the Series 2012 Bonds.

Security for the Series 2012 Bonds

The Series 2012 Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts (except the Arbitrage Rebate Fund) established pursuant to the Series 2012 Resolution and held under the Resolution and the security interest in the Pledged Revenues.

The Trustee’s security interest in Pledged Revenues is, however, subordinate to certain prior liens on Pledged Revenues previously granted by the Institute to secure the Institution’s loans relating to (i) the Authority’s outstanding The Culinary Institute of America Insured Revenue Bonds, Series 2004A, 2004B, 2004C, 2004D and 2006 and (ii) California Statewide Communities Development Authority Revenue Bonds, Series 2008. See “PART 7 - THE INSTITUTE – Outstanding Indebtedness” herein for additional information regarding such outstanding indebtedness.

Each Series of Bonds issued under the Resolution will be separately secured from each other Series of Bonds. See “Appendix D - Summary of Certain Provisions of the Resolution.”

Pledged Revenues

As security for its obligations under the Loan Agreement, the Institute has granted to the Authority a security interest in the Pledged Revenues, subject to the Prior Pledges, consisting of an aggregate amount of tuition and fees charged to students and received or receivable by the Institute equal to the maximum annual debt service in the current or any future calendar year on the then Outstanding Series 2012 Bonds. The Authority has pledged and assigned to the Trustee for the benefit of the Holders of Series 2012 Bonds its security interest in the Pledged Revenues. Pursuant to the Loan Agreement, the Institute has covenanted not to incur additional debt if the lien securing such debt would constitute a prior pledge in the Pledged Revenues. The Loan Agreement permits the Institute under certain conditions to incur additional indebtedness secured by the Pledged Revenues on a parity basis with the pledge of such Pledged Revenues securing the Series 2012 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS – Issuance of Additional Indebtedness” and “Appendix C - Summary of Certain Provisions of the Loan Agreement.”

Debt Service Reserve Fund

The Resolutions establish a Debt Service Reserve Fund with respect to the Series 2012 Bonds which is to be held by the Trustee, is to be applied solely for the purposes specified in the Resolutions and is pledged to secure the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2012 Bonds.

The Resolutions require that the Debt Service Reserve Fund be maintained at an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Bonds payable during such year, subject to any limitation imposed by the Code (including the Code’s limitation on a reasonably required reserve or replacement fund to an amount equal to 125% of average annual debt service in the current or any future Bond Year). The Debt Service Reserve Fund Requirement for the Series 2012 Bonds is initially \$1,598,066 (which is equal to 125% of average annual debt service). See “Appendix A - Certain Definitions - Debt Service Reserve Fund Requirement.”

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in such Debt Service Fund on the fourth business day prior to an interest payment date is less than the amount which is necessary to pay the principal and Sinking Fund Installments of and interest on Outstanding Series 2012 Bonds payable on such interest payment date and the purchase price or Redemption Price of Outstanding Series 2012 Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption. The Loan Agreement requires that the Institute restore the Debt Service Reserve Fund to its Requirement by paying the amount of any deficiency to the Trustee within fifteen days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of the requirement may be withdrawn and applied in accordance with the Resolutions.

Financial Covenants

The Loan Agreement contains certain covenants of the Institute as summarized below. Terms not otherwise defined in this subsection are defined in APPENDIX D -- SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT -- Financial Covenants.”

Maintenance Covenants

Debt Service Coverage Ratio Requirement. The Institute covenants to charge and maintain during each Fiscal Year, student tuition, fees and other charges sufficient to provide a Debt Service Coverage Ratio as of the last day of each Fiscal Year (the “Testing Date”) of at least 1.25:1.

If (a) on any two consecutive Testing Dates, the Institute does not satisfy the Debt Service Coverage Ratio requirement, or (b) on any Testing Date the Debt Service Coverage Ratio falls below 1:1, the Authority may require the Institute to retain a Management Consultant to make recommendations that will enable the Institute to comply with the Debt Service Coverage Ratio requirement.

The following table sets forth the Institute's operating revenue, operating expenses less depreciation, amortization and interest, Operating Income Available for Debt Service, Annual Debt Service and resulting Debt Service Coverage Ratios for the Fiscal Years ended May 31, 2008, 2009, 2010, 2011 and 2012.

	2008	2009	2010	2011	2012
Unrestricted Operating Revenue	\$118,112,156	\$123,907,233	\$125,195,955	\$129,924,614	\$142,544,883
Operating Expenses less Depreciation, Amortization and Interest	<u>\$101,633,722</u>	<u>\$106,755,043</u>	<u>\$106,929,359</u>	<u>\$113,891,465</u>	<u>120,133,344</u>
Operating Income Available for Debt Service	\$16,478,434	\$17,152,190	\$18,266,596	\$16,033,149	22,411,539
Annual Debt Service	\$7,749,495	\$6,752,730	\$6,247,071	\$6,786,020	\$6,615,704
Debt Service Coverage Ratio	2.13x	2.54x	2.92x	2.36x	3.39x

Available Assets to Debt Ratio Requirement. The Institute covenants to maintain a ratio of Available Assets to Long-Term Indebtedness (the "Available Assets to Debt Ratio") as of the end of the Institute's Fiscal Year ending 2013 through and including 2016 at least equal to .50:1. The Available Assets to Debt Ratio requirement increases to .65:1 for Fiscal Year 2017 and thereafter. As of May 31, 2012, the Institute's Available Assets to Debt Ratio was reported at 1.14:1.

If on any Testing Date, the Institute does not satisfy the Available Assets to Debt Ratio requirement, the Authority may require the Institute to retain a Management Consultant to make recommendations that will enable the Institute to comply with the Available Assets to Debt Ratio requirement.

Additional Indebtedness

The Institute may issue, incur, assume or guarantee additional Long-Term Indebtedness without the consent of the Authority provided that (i) the Institute maintains a debt rating not lower than Baa3- or BBB- from at least one Rating Service **and** (ii) (a) such additional Long-Term Indebtedness issued in any Fiscal Year is in an amount less than or equal to 10% of the amount of the Institute's unrestricted and temporarily restricted net assets as reported for the most recently concluded Fiscal Year for which audited financial statements are available **or** (b) the Institute provides to the Authority a certificate of an Authorized Officer of the Institute containing pro forma calculations demonstrating that the maintenance covenants described above would be met for the most recently concluded Fiscal Year for which audited financial statements are available taking into account the additional Long-Term Indebtedness proposed to be issued (provided that, for purposes of calculating the Debt Service Coverage Ratio for such pro forma calculations, annual debt service shall be equal to projected Maximum Annual Debt Service).

The Institute may also issue (i) Refunding Debt, provided that, after giving effect to such Refunding Debt, the Annual Debt Service on the Institute's Long-Term Indebtedness to be outstanding thereafter will not be increased in any Fiscal Year, (ii) Non-Recourse Indebtedness without the Authority's consent, provided that any assets pledged as collateral or for repayment of such indebtedness must have been acquired by the Institute after issuance of the Series 2012 Bonds, and (iii) Short-Term Indebtedness, provided that during any 12-month period, there shall be no outstanding balance on such Short-term Indebtedness for a period of not less than 30 days.

The Institute may also incur Parity Indebtedness with the consent of the Authority.

Exceptions

Notwithstanding the foregoing, the Institute will not be considered to have failed to meet the Debt Service Coverage Ratio requirement or the Available Assets to Debt Ratio requirement if the Institute can demonstrate that such failure was solely due to a change in generally accepted accounting principles not previously applicable to the Institute. In the event the Authority determines such a change in generally accepted accounting principles will create a lasting impediment upon the Institute's ability to comply with such financial covenant requirements, the Authority and the Institute may, without obtaining the consent of Bondholders, amend the provisions of the Loan Agreement and the related definitions upon which the calculations included in such provisions are based to provide for other alternative measures of the Institute's performance and ability to issue, incur, assume or guaranty additional Indebtedness.

For a more complete description of the financial covenants of the Institute contained in the Loan Agreement, see "Appendix C - Summary of Certain Provisions of the Loan Agreement."

The Mortgage

In connection with the delivery of the Series 2012 Bonds, the Institute will execute and deliver a Mortgage to the Authority on the Mortgaged Property (which consists of an approximately 1-acre parcel within the Institute's main campus and Hudson Hall, a student dormitory) (the "Mortgaged Property"), and grant the Authority a security interest in certain fixtures, furnishings and equipment on the Mortgaged Property, to secure the payments required to be made by the Institute pursuant to the Loan Agreement. The Authority may assign its rights under the Loan Agreement and the Mortgage and related security interest to the Trustee, but has no present intention to do so. Unless the Mortgage and security interest are assigned to the Trustee, neither the Mortgage nor the security interest in such fixtures, furnishings and equipment nor any proceeds therefrom will be pledged to the Holders of the Series 2012 Bonds. Further, even if the Mortgage were assigned to the Trustee, no recent appraisal has been conducted on the Mortgaged Property and there can be no assurance that proceeds derived from the sale of the Mortgaged Property upon default and foreclosure of the Mortgage would be sufficient to pay the Series 2012 Bonds and accrued interest thereon. Prior to any assignment of the Mortgage to the Trustee, property subject to the Mortgage may be released, and the Mortgage may be amended, with the prior written consent of the Authority but without the consent of the Trustee or the Holders of any Series 2012 Bonds. The Institute may incur indebtedness security by a parity lien on the Mortgaged Property with the consent of the Authority.

Events of Default and Acceleration

The following are events of default under the Resolution with respect to the Series 2012 Bonds: (i) a default by the Authority in the payment of the principal, Sinking Fund Installment or Redemption Price of any Bond; (ii) a default by the Authority in the payment of interest on any Bond; (iii) a default by the Authority in the due and punctual performance of any covenant or agreement contained in the Series 2012 Resolution to comply with the provisions of the Code necessary to maintain the exclusion of interest on such Bonds from gross income for purposes of federal income taxation; (iv) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2012 Bonds or in the Resolutions which continues for 30 days after written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee's discretion or at the written request of the Holders of not less than 25% in principal amount of Outstanding Bonds) or if such default is not capable of being cured within 30 days, if the Authority fails to commence within 30 days and diligently prosecute the cure thereof; or (v) the Authority shall have notified the Trustee that an "Event of Default," as defined in the Loan Agreement, has occurred and is continuing and all sums payable by the Institute under the Loan Agreement have been declared immediately due and payable (unless such declaration shall have been annulled). Unless all sums payable by the Institute under the Loan Agreement are declared immediately due and payable by the Authority, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that, if an event of default (other than as described in clause (iii) of the preceding paragraph) occurs and continues, the Trustee may, and upon the written request of Holders of not less than 25% in principal amount of the Outstanding Series 2012 Bonds, shall declare the principal of and interest on all the Outstanding Series 2012 Bonds to be due and payable. At any time after the principal of the Series 2012 Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other

remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than 25% in principal amount of Series 2012 Bonds not yet due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee is to give notice in accordance with the Resolution of each event of default known to the Trustee to the Institute within five days, and to the Holders within 30 days, in each case after obtaining knowledge of the occurrence thereof, unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of or interest on any of the Series 2012 Bonds, the Trustee will be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2012 Bonds.

Issuance of Additional Indebtedness

In addition to the Series 2012 Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance one or more projects and for other specified purposes, including to refund Outstanding Bonds or other notes or bonds of the Authority or other indebtedness of the Institute. Each Series of Bonds will be separately secured from each other Series of Bonds by the pledge and assignment to the Trustee of the applicable Revenues and the funds and accounts established pursuant to the applicable Series Resolution. There is no limit on the amount of additional Bonds that may be issued under the Resolution, which Bonds may be issued at any time after the scheduled delivery date of the Series 2012 Bonds.

The Loan Agreement permits the Institute under certain conditions to incur additional indebtedness secured by the Pledged Revenues on a parity basis with the pledge of such Pledged Revenues securing the Series 2012 Bonds.

General

The Series 2012 Bonds will not be a debt of the State and the State will not be liable on the Series 2012 Bonds. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal of or interest on its bonds or notes. See “PART 8 — THE AUTHORITY.”

PART 3 — THE SERIES 2012 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2012 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2012 Resolution, the Bond Series Certificate and the Loan Agreement, copies of which are on file with the Authority and the Trustee. See also “Appendix C — Summary of Certain Provisions of the Loan Agreement” and “Appendix D — Summary of Certain Provisions of the Resolution” for a more complete description of certain provisions of the Series 2012 Bonds.

Description of the Series 2012 Bonds

The Series 2012 Bonds will be issued pursuant to the Resolution and the Series 2012 Resolution and will be dated their date of delivery and bear interest from such date (payable July 1, 2013 and on each January 1 and July 1 thereafter) at the rates set forth on the cover page of this Official Statement.

The Series 2012 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2012 Bonds will be payable by check or draft mailed to the registered owners or, at the option of the registered owner of at least \$1,000,000 of Series 2012 Bonds, by wire transfer to the wire transfer address within the continental United States to which the registered owner has instructed the Trustee to make such payment at least five Business Days prior to the Record Date for such Series 2012 Bonds immediately preceding the interest payment date. If the Series 2012 Bonds are not registered in the name of DTC or its nominee, Cede & Co., the principal and Redemption Price of the Series 2012 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of U.S. Bank, National Association, New York, New York, the Trustee and Paying Agent.

The Series 2012 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2012 Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2012 Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2012 Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Series 2012 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2012 Bonds, the Series 2012 Bonds will be exchangeable for fully registered Series 2012 Bonds in any authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “ - Book-Entry Only System” below and “Appendix D - Summary of Certain Provisions of the Resolution.”

For a more complete description of the Series 2012 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2012 Bonds are subject to redemption and to purchase in lieu of optional redemption, as described below. For a more complete description of the redemption and other provisions relating to the Series 2012 Bonds, see “Appendix D—Summary of Certain Provisions of the Resolution.”

Optional Redemption

The Series 2012 Bonds maturing on or before July 1, 2022 are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing after July 1, 2022 are subject to redemption prior to maturity at the option of the Authority on or after July 1, 2022, in any order, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the Series 2012 Bonds to be redeemed, plus accrued interest to the redemption date.

Purchase in Lieu of Optional Redemption

The Series 2012 Bonds maturing after July 1, 2022 are also subject to purchase in lieu of optional redemption prior to maturity at the option of the Institute with the consent of the Authority, on or after July 1, 2022, in any order, in whole or in part at any time, at a purchase price equal to 100% of the principal amount of the Series 2012 Bonds to be purchased, plus accrued interest (the “Purchase Price”) to the date set for purchase (the “Purchase Date”).

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Mandatory Redemption

The Series 2012 Bonds of certain maturities are subject to redemption, in part, through application of Sinking Fund Installments upon notice given as prescribed in the Resolution, at a Redemption Price equal to 100% of the principal amount of Series 2012 Bond to be redeemed, plus accrued interest to the date of redemption. Unless none of the Series 2012 Bonds of a maturity to be so redeemed are then Outstanding and, subject to the provisions of the Series 2012 Resolution permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there shall be due and the Authority shall be required to pay for the retirement of the Series 2012 Bonds maturing on July 1 of each of the years set forth in the following tables, the amount set forth opposite such year:

**Series 2012 Bonds
Maturing July 1, 2028**

<u>Year</u>	<u>Sinking Fund Installment</u>
2022	\$410,000
2023	520,000
2024	550,000
2025	570,000
2026	600,000
2027	630,000
2028 [†]	760,000

[†] Final maturity.

**Series 2012 Bonds
Maturing July 1, 2034**

<u>Year</u>	<u>Sinking Fund Installment</u>
2029	\$470,000
2030	490,000
2031	515,000
2032	545,000
2033	570,000
2034 [†]	600,000

[†] Final maturity.

**Series 2012 Bonds
Maturing July 1, 2042**

<u>Year</u>	<u>Sinking Fund Installment</u>
2035	\$630,000
2036	660,000
2037	690,000
2038	725,000
2039	765,000
2040	800,000
2041	840,000
2042 [†]	885,000

[†] Final maturity.

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2012 Bonds entitled to such Sinking Fund Installment (A) purchased with moneys in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of the Authority, (C) purchased by the

Institute or the Authority and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2012 Bonds purchased with moneys in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2012 Bonds so purchased payable on the next succeeding July 1. Series 2012 Bonds redeemed at the option of the Authority, purchased by the Authority or the Institute (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as the Authority may direct in its discretion. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2012 Bonds of the maturity so purchased will be reduced for such year.

Special Redemption

The Series 2012 Bonds are subject to redemption prior to maturity at the option of the Authority in any order, as a whole or in part on any interest payment date, at a Redemption Price equal to 100% of the principal amount of Series 2012 Bonds to be redeemed, plus accrued interest to the redemption date from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project and (ii) from unexpended proceeds of the Series 2012 Bonds upon the abandonment of the Project or a portion thereof due to a legal or regulatory impediment.

Selection of Bonds to be Redeemed

In the case of any optional or special redemption of the Series 2012 Bonds in part, the Authority will select the maturities of the Series 2012 Bonds to be redeemed. If less than all of the Series 2012 Bonds of a maturity are to be redeemed, the Series 2012 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

Generally, the Trustee is to give notice of the redemption of the Series 2012 Bonds in the name of the Authority, by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2012 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than 10 Business Days prior to the date such notice is given. Each notice of redemption, other than a notice of special redemption, may state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of sufficient moneys to pay the Redemption Price of the Series 2012 Bonds to be redeemed. The failure of any owner of a Series 2012 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2012 Bond.

If on the redemption date moneys for the redemption of the Series 2012 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, and if notice of redemption has been mailed, then interest on the Series 2012 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2012 Bonds will no longer be considered to be Outstanding.

Notice of Purchase in Lieu of Optional Redemption and its Effect

Notice of purchase of the Series 2012 Bonds will be given in the name of the Institute to the registered owners of the Series 2012 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2012 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2012 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2012 Bonds are called for purchase in lieu of an optional redemption, such purchase will not extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2012 Bonds. Such Series 2012 Bonds need not be cancelled, and will remain Outstanding under the Resolution and continue to bear interest.

The Institute's obligation to purchase a Series 2012 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2012 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price

of the Series 2012 Bonds to be purchased, the former registered owners of such Series 2012 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2012 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2012 Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2012 Bonds are to be purchased, the Series 2012 Bonds to be purchased will be selected by lot in the same manner as Series 2012 Bonds to be redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2012 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.” Also see “- Book-Entry Only System” below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2012 Bonds when the Book-Entry Only System is in effect.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, 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, totaling in the aggregate the principal amount of the Series 2012 Bonds, and will be deposited with DTC.

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

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 a 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, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012 Bonds, except in the event that use of the book-entry system for such 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 the Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of the Series 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. Beneficial Owners of the Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within a particular maturity of the Series 2012 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 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 detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of 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 Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2012 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2012 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2012 Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, and may desire to make arrangements with such Direct Participant or Indirect Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Direct Participant or Indirect Participant and to have notification made of all interest payments. **NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANT OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2012 BONDS.**

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2012 Bonds (other than under "PART 11 - TAX MATTERS" herein) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2012 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2012 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2012 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2012 Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Series 2012 Bond certificates will be delivered as described in the Resolution.

NEITHER THE AUTHORITY, THE INSTITUTE NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2012 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2012 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2012 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2012 BONDS; OR (VI) ANY OTHER MATTER.

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Principal and Interest Requirements

The following table sets forth the amounts required to be paid by the Institute during each twelve month period ending June 30 of the Bond Years shown for the payment of the principal of and interest on the Series 2012 Bonds, debt service on all other currently outstanding indebtedness of the Institute and the total debt service on all indebtedness of the Institute, including the Series 2012 Bonds.

12 Month Period Ending June 30	Principal Payments	Interest Payments	Total Debt Service on the Series 2012 Bonds	Debt Service on Other Indebtedness*	Total Debt Service
2013	\$655,000	\$719,892	\$1,374,892	\$5,541,638	\$6,916,530
2014	890,000	1,038,150	1,928,150	5,528,893	7,457,043
2015	925,000	1,011,450	1,936,450	5,521,836	7,458,286
2016	955,000	974,450	1,929,450	5,545,719	7,475,169
2017	1,000,000	936,250	1,936,250	5,530,147	7,466,397
2018	1,045,000	886,250	1,931,250	5,571,058	7,502,308
2019	1,095,000	834,000	1,929,000	5,564,480	7,493,480
2020	1,150,000	779,250	1,929,250	5,544,388	7,473,638
2021	1,210,000	721,750	1,931,750	5,556,824	7,488,574
2022	410,000	661,250	1,071,250	5,651,006	6,722,256
2023	520,000	640,750	1,160,750	6,608,305	7,769,055
2024	550,000	614,750	1,164,750	4,963,167	6,127,917
2025	570,000	587,250	1,157,250	4,744,897	5,902,147
2026	600,000	558,750	1,158,750	4,775,004	5,933,754
2027	630,000	528,750	1,158,750	4,774,763	5,933,513
2028	760,000	497,250	1,257,250	5,175,715	6,432,965
2029	470,000	459,250	929,250	4,509,028	5,438,278
2030	490,000	435,750	925,750	4,197,563	5,123,313
2031	515,000	411,250	926,250	4,184,915	5,111,165
2032	545,000	385,500	930,500	4,217,415	5,147,915
2033	570,000	358,250	928,250	4,243,694	5,171,944
2034	600,000	329,750	929,750	4,216,358	5,146,108
2035	630,000	299,750	929,750	2,411,039	3,340,789
2036	660,000	268,250	928,250	1,326,461	2,254,711
2037	690,000	235,250	925,250	1,194,219	2,119,469
2038	725,000	200,750	925,750	344,350	1,270,100
2039	765,000	164,500	929,500	344,276	1,273,776
2040	800,000	126,250	926,250	-	926,250
2041	840,000	86,250	926,250	-	926,250
2042	885,000	44,250	929,250	-	929,250

* - Assumes an average variable rate of 3% for unhedged VRDBs.

PART 4 — THE PROJECT

The new construction portion of the Project consists of the construction and equipping of an approximately 42,000 square foot, two-story (including a half-story mezzanine) theater and conference center (the “Marriott Pavilion”). The Marriott Pavilion will be centered in the heart of the campus, adjacent to the J. Williard Marriott Education Center and the St. Andrews Nutrition Center. The Marriott Pavilion’s main level and mezzanine will house an approximately 800 seat theater. The Project will include all furnishings and technologies required for the specialized theater, classroom, conference, and demonstration uses. All necessary site improvements and landscaping are included in the project scope. The Project also includes the refunding of the Refunded Bonds. (See “PART 5 – THE REFUNDING PLAN”.)

PART 5 — THE REFUNDING PLAN

A portion of the proceeds of the Series 2012 Bonds (the “Refunding Proceeds”) will be used to refund and defease the Refunded Bonds. The Refunding Proceeds are expected to provide moneys sufficient, together with certain amounts to be transferred from accounts securing the Refunded Bonds, to pay the principal and the redemption price of the Refunded Bonds and the interest on such Refunded Bonds to the date fixed for redemption. The Refunded Bonds will be redeemed at a redemption price of 100% on a date not more than 90 days after the issuance of the Series 2012 Bonds.

The Refunding Proceeds will be deposited with the trustee for the Refunded Bonds (the “Prior Trustee”) upon the issuance and delivery of the Series 2012 Bonds and will be held in trust solely for the payment of the redemption price of and interest on the applicable Refunded Bonds. At the time of such deposit, the Authority will give the Prior Trustee irrevocable instructions to give notice of the redemption of the Refunded Bonds and to apply those moneys to the payment of the redemption price of and interest on the Refunded Bonds.

PART 6 — ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2012 Bonds	\$22,150,000
Plus: Net Original Issue Premium/(Discount)	2,355,780
Other Available Funds	<u>1,839,795</u>
Total Sources	\$26,345,575

Uses of Funds

Deposit to the Construction Fund	\$11,130,000
Deposit to Refunding Escrow	12,440,300
Deposit to Debt Service Reserve Fund	1,598,066
Capitalized Interest	701,804
Costs of Issuance	303,612
Underwriter’s Discount.....	<u>171,793</u>
Total Uses	\$26,345,575

PART 7 — THE INSTITUTE

GENERAL INFORMATION

History

The Culinary Institute of America (the “CIA” or the “Institute”) has enjoyed a unique and successful history characterized by rapid expansion in its 66 years of service. The Institute opened in 1946 as the New Haven Restaurant Institute, a storefront cooking school in downtown New Haven, CT, with an enrollment of 50 students and a faculty consisting of a chef, a baker, and a dietitian. The Institute, at that time a vocational training school primarily for World War II veterans, offered a 16-week program featuring instruction in 78 popular menus of the day. Members of the New Haven Restaurant Association sponsored the original school, whose founders, Frances Roth and Katharine Angell, served as its first director and chair of the board, respectively.

As the foodservice industry grew, so did enrollment, necessitating a move in 1947 to larger quarters—a 40-room mansion adjacent to Yale University. The Institute’s name was changed to the Restaurant Institute of Connecticut and in 1952 it became known as The Culinary Institute of America, reflecting the diversity of the student population. The educational program was expanded to two years, and continuing education courses for industry professionals were introduced. By the time of Mrs. Roth’s retirement in 1965, the Institute had increased its enrollment to 400 students and operated a \$2 million facility.

In 1969, double-class sessions were initiated to accommodate a backlog of applications and an auxiliary campus was leased, but with more than 1,000 students and with facilities strained to the maximum, the CIA’s administrators launched a search for a new home. They found it in St. Andrew-on-Hudson, a former Jesuit seminary in Hyde Park, NY.

The Institute purchased the five-story, 150-room building situated on 80 acres of land overlooking the majestic Hudson River, for \$1 million in 1970. Two years and \$4 million in renovations later, the new campus opened, with its main building renamed Roth Hall. In 1972, the Board of Regents of the State of New York granted the CIA a charter to confer an Associate in Occupational Studies (AOS) degree. The new campus offered a trimester program in which students entered three times over the course of the year. In 1976, this was replaced by the Progressive Learning Year (PLY) program that enabled smaller groups of 72 students to graduate and enter the industry every three weeks, 16 times a year. A paid externship semester was created, offering students the opportunity to gain on-the-job experience by working in the foodservice industry.

The expanding curriculum and the additional space available in Roth Hall enabled the Institute to establish the Epicurean Room in 1973, a public restaurant that provided a realistic, hands-on setting for students. The restaurant was later renamed the Escoffier Restaurant and was awarded a three-star rating by *The New York Times* and four stars by the *Mobil Travel Guide*. The restaurant has also won *Restaurants & Institutions* magazine’s Ivy Award and was inducted into the *Nation’s Restaurant News* Hall of Fame. In 2013, it is being transformed into The Bocuse Restaurant, which will reinvent French cuisine for the Institute’s degree students and the public.

Today, students also acquire experience in the CIA’s other on-campus restaurants. The Ristorante Caterina de’ Medici features seasonal Italian selections. St. Andrew’s Café offers light, contemporary fare. A three-star, fine-dining establishment, the American Bounty Restaurant showcases American food, wine, and beer and is the recipient of the Ivy Award. The Apple Pie Bakery Café, sponsored by Rich Products Corporation, features artisan breads, elegant pastries, and café cuisine. Today, CIA students prepare and serve meals in the Institute’s on-campus public restaurants for catered functions and for student and employee dining.

As the curriculum—and the CIA’s reputation—expanded, the Institute continued to grow. Three residence halls were built in 1974 to accommodate 880 students, and a fourth residence hall housing 350 students was completed in 1986. An extensive culinary library, named for Katharine Angell, was established, as was the Marriott Career Planning/Information Center and the Learning Resources Center, where instructional videotapes are produced and a library of audiovisual training materials is maintained.

In 1981, the Institute became the only school authorized to administer the American Culinary Federation (ACF) master chef certification exam. The Institute employs the largest concentration of master chefs certified through the 10-day ACF-sponsored exam.

The CIA began to serve the industry's training needs when it opened the Continuing Education Center in 1984. More than 6,000 foodservice professionals come to the Institute's Hyde Park and Greystone campuses annually to update and expand their culinary knowledge by participating in continuing education courses.

The CIA received a \$1 million grant in early 1988 from The General Foods Fund, Inc., and built the General Foods Nutrition Center to encourage education and research in nutritional cooking. In 1990, the Institute opened the School of Baking and Pastry, which in 1992 was dedicated as the Shunsuke Takaki School of Baking and Pastry.

In 1992, the CIA purchased 70 additional acres for its Hudson Valley campus. A year later, approval was granted by the New York Board of Regents for the Institute to offer two Bachelor of Professional Studies (BPS) degrees—one in Culinary Arts Management, the other in Baking and Pastry Arts Management. Also in 1993, the CIA opened the Conrad N. Hilton Library thanks in part to a \$1.5 million gift from the Conrad N. Hilton Foundation.

Responding to a growing need for food and wine professional development on the West Coast, the Institute opened The Culinary Institute of America at Greystone, a branch campus located in the heart of California's Napa Valley, in 1995. Today, the CIA at Greystone offers AOS degree programs in Culinary Arts or Baking and Pastry Arts, certificate programs in Culinary Arts or Advanced Wines and Beverages, and programs for industry professionals and food enthusiasts.

The CIA continued to pursue ways to give students more opportunities to not only learn, but to enjoy campus life. The Institute opened the Student Recreation Center at its New York campus in July 1998. In January 2000, the Apple Pie Bakery Café commenced operations in Roth Hall in support of the CIA's baking and pastry arts degree programs. In the spring of 2001, the CIA opened The Colavita Center for Italian Food and Wine, an educational facility devoted to the study of the culinary traditions of Italy. And in November 2002, the Institute opened the doors to the newly named Farquharson Hall (formerly Alumni Hall). The site of graduations, student dining, and special events, Farquharson Hall was painstakingly restored to its original splendor as the main chapel of the St. Andrew-on-Hudson Jesuit seminary.

In 2004, four Adirondack-style lodges were added for student housing, and two more opened in 2007. In 2005, Anton Plaza was completed and the Institute acquired 20 additional acres of land, bringing the total campus acreage to 170. A new Admissions Center was added in 2006, and townhouses were built on the north end of campus in 2012.

The year 2008 marked the opening of The Culinary Institute of America, San Antonio. The Texas branch campus offers Associate in Applied Science (AAS) degree programs in Culinary Arts or Baking and Pastry Arts, a certificate program in Latin cuisines, and programs for industry professionals and food enthusiasts.

In 2010, in partnership with the Singapore Institute of Technology, the CIA opened its Singapore campus. The CIA Singapore offers the Institute's BPS degree program in Culinary Arts Management to graduates of polytechnic institutions with related diplomas.

Today the CIA enrolls approximately 2,800 students in its degree programs and employs nearly 160 chef-instructors and other faculty members representing 13 countries. The Institute's 44,000-plus graduates are leaders and pacesetters in the industry.

From the introduction of classes in American regional cuisine to the development of a nutrition program, The Culinary Institute of America has remained at the forefront of the issues and trends in foodservice. In the years ahead, the Institute will continue to carry out its mission of providing the very best education to the culinary stars of tomorrow.

Academic Programs

Associate Degree Program

The CIA's 21-month Associate Degree Program includes 1,300 hours of hands-on practical kitchen experience as well as lecture-style classes in hospitality/management subjects. The Institute operates on a Progressive Learning

Year that affords 16 entry dates and 16 graduations throughout the year. The program is divided into four 15-week semesters of required courses that all students must complete on campus and one 18-week on-the-job training session with a cooperating foodservice establishment. Students who successfully complete this program earn an Associate in Occupational Studies (AOS) degree.

Baccalaureate Degree Program

In 1993, the CIA was approved by the New York State Board of Regents to offer a unique Baccalaureate Degree Program to those students who have successfully completed the Associate Degree Program. This four-year degree program, offered exclusively at the Hyde Park, NY campus, includes the same curriculum as the AOS degree program plus courses in business, management, gastronomy, liberal arts, and more. The program also includes a travel experience to a major culinary region of the world. Students who successfully complete this program earn a Bachelor of Professional Studies (BPS) Degree in either Culinary Arts Management or Baking and Pastry Arts Management.

Continuing Education Courses

To provide advanced training opportunities for people already employed in the foodservice industry, the CIA offers a year-round schedule of educational programs in cooking, baking and pastry, and hospitality management at all three U.S. campuses. The curriculum is designed to strengthen the professional's existing skills, introduce new techniques, and foster an understanding of industry trends and their future applications.

Food Enthusiast Programs

A variety of programs for food enthusiasts are offered as well at all three of the Institute's U.S.-based campuses, including weekend courses, Boot Camps, and Taste of the CIA cooking classes.

Accreditation

The Culinary Institute of America is accredited by the Middle States Commission on Higher Education, an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation. The Culinary Institute of America holds an Absolute Charter issued by the New York State Board of Regents and is approved for veterans training under the G.I. Bill of Rights. The curricula are registered by the New York State Education Department.

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Governance

The governing body of the CIA, as chartered by the New York State Board of Regents, is a Board of Trustees comprised of 25 elected individuals selected by a nominating committee and voted upon by the CIA's Board of Trustees to serve a three-year term. The Trustees, who are not compensated for their services, meet at least four times a year to discuss, direct, and manage the business concerns and affairs of the Institute.

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Founder
Vice Chairman of the Board
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Administration

The CIA is administered on a day-to-day basis by the President and the President's Cabinet, which is comprised of the Senior Vice President for Finance & Administration, Vice President for Strategic Initiatives & Industry Leadership, Provost, Vice President of Advancement & Business Development, Vice President of Admissions & Marketing, Vice President of Administration & Shared Services, and Associate Vice President & Dean of Student Affairs. The President is the Chief Executive Officer of the CIA appointed by the Board of Trustees and is under contract with the Institute. The CIA's Administrative Officers are the President and Senior Vice President of Finance & Administration, who have both been employed by the Institute for over 25 years.

L. Timothy Ryan, EdD, MBA, BS, CMC - President - Dr. Ryan has been President of The Culinary Institute of America since 2001. A 1977 graduate of the CIA, Dr. Ryan is the first alumnus and first faculty member to rise through the ranks to become the Institute's fifth president. After working as a chef in the restaurant industry, President Ryan returned to the Institute in 1982. During his 28 years at the CIA, Dr. Ryan has been instrumental in strengthening and enhancing the Institute by launching the world's first Bachelor's Degree Program in Culinary Arts Management and Baking & Pastry Arts Management, developing a highly successful publishing program, fashioning award-winning videos and television shows, expanding the Institute's continuing education programs, developing the American Bounty Restaurant, and strengthening an already gifted faculty roster. At age 26, Dr. Ryan became the youngest person ever to earn Certified Master Chef (CMC) status from the American Culinary Federation (ACF) and also holds the distinction of being the youngest national president of the ACF, elected at age 36. He has served as ACF vice president and chairman, and is a former chairman of the editorial council for the ACF's publication, The National Culinary Review. Dr. Ryan was named ACF's Chef of the Year in 1998 and is one of five Americans ever to receive the Presidential Medal from the World Association of Cooks Societies that same year. Dr. Ryan has won numerous Gold Medals in international competitions throughout his career, including four Gold Medals and the World Championship at the 1984 and 1988 Culinary Olympics in Germany. He has produced a host of successful culinary books, all of which are James Beard Award nominees, including The New Professional Chef, Techniques of Healthy Cooking, and An American Bounty. A native of Pittsburgh, Dr. Ryan earned his EdD from The University of Pennsylvania, and his MBA and BS from the University of New Haven.

Charles A. O'Mara, MBA, BS, CPA - Senior Vice President of Finance & Administration - Mr. O'Mara joined the CIA in 1982 as Controller. He is a 1977 graduate of St. Francis University, where he earned his BS in Business Administration. Prior to joining the Institute, Mr. O'Mara was employed as assistant university budget director at Fairleigh Dickinson University in New Jersey, where he earned his MBA in Accounting & Taxation in 1980, becoming a CPA in 1981. He completed Harvard's Graduate School of Education's Institute for Education Management Program in August 2006. He is a member of the American Institute of Certified Public Accountants, the New Jersey State Society of CPAs, the National Association of College & University Business Officers (NACUBO), the Eastern Association of College & University Business Officers (EACUBO), is Past Chairman of the New York Metropolitan Region Professional Development Committee of EACUBO, and is also a past member of the Board of Directors and Treasurer for the United Way of the Dutchess and Orange Region. He also serves on the Board of Directors and Assistant Treasurer for the Dutchess County Economic Development Corporation.

Greg Drescher - Vice President for Strategic Initiatives & Industry Leadership – Mr. Drescher is responsible for the CIA’s thought leadership, strategic partnerships and initiatives, industry conferences, and new media. Mr. Drescher assumed his current title in 2011 after serving as executive director of strategic initiatives for the Institute. In this role, he created the Institute's influential Worlds of Flavor® International Conference & Festival series, Worlds of Healthy Flavors Leadership Retreat in partnership with the Harvard School of Public Health, and other CIA "think tank" initiatives. Mr. Drescher joined the CIA in 1995, and served nearly 10 years as the first director of education for the Institute's campus in St. Helena, CA, where he oversaw the development of the CIA at Greystone's program of continuing and advanced studies. Previously, Mr. Drescher was co-founder and program chairman of the Boston-based Oldways Preservation & Exchange Trust. In this capacity, he designed programs in the United States and throughout the Mediterranean region, and jointly spearheaded a collaboration of some of the world's leading health experts and organizations, including the Harvard School of Public Health and the World Health Organization. In the 1980s, he served as national program director and later as associate director of the American Institute of Wine & Food, an organization co-founded by Julia Child and Robert Mondavi.

Mark Erickson, BS, CMC - Provost - An honors graduate of the CIA class of 1977, Chef Erickson was employed by the Institute in 1984 as a faculty member, was promoted to Education Department head in 1987, and promoted to director of culinary education in Hyde Park in 1988. He left the CIA in 1990, but returned in 1999 as managing director of Greystone, the CIA’s California campus, and was eventually named provost in 2011. Prior to joining the CIA, Mr. Erickson served as chef garde manger of the Palace Hotel in Gstaad, Switzerland, executive sous chef of the Greenbrier Hotel in West Virginia, and executive chef of the Cherokee Town & Country Club in Atlanta, GA. Mr. Erickson earned his B.S. in Restaurant & Hotel Management at the University of New Haven. Chef Erickson was a member of the gold medal-winning United States Culinary Olympic Teams in 1980, 1984, and 1988, and part of the U.S. team that won the 1985 Culinary World Cup. He earned “Crystal Chef” honors by having the highest score in the ten-day Certified Master Chef examination administered by the American Culinary Federation in 1985. Mr. Erickson holds a Bachelor of Science degree in Restaurant & Hotel Management from the University of New Haven and a Masters in Business Administration (MBA) from Marist College in Poughkeepsie, NY.

Victor A. L. Gielisse, PhD, CMC, CHE - Vice President for Advancement & Business Development– Dr. Gielisse's responsibilities include all of the Institute's alumni relations and fund-raising initiatives as well as stewarding the CIA's relationship within the foodservice industry, including business development, consulting, custom training programs, industry outreach, licensing programming, and donor support opportunities. Chef Gielisse is one of 66 Certified Master Chefs (CMC) in the United States, earning the Crystal Chef Award for the highest score in the CMC examination. He holds a Bachelor of Science Degree, a Master of Business Administration (MBA), and a Doctorate in Business Administration (DBA) from The School of Administration and Management of California Coast University. He is also a Certified Hospitality Educator (CHE) with a graduate diploma from the Educational Institute of the American Hotel & Lodging Association. Prior to joining the CIA administration in 1998, he was the chef/owner of the Ivy Award-winning restaurant Actuelle in Dallas, TX and president of the consulting firm CFT/Culinary Fast-Trac and Associates Inc. Chef Gielisse served as the Chairman of the American Culinary Federation (ACF) Culinary Competition Committee. He is a coach and advisor to ACF Culinary Team USA; and was a judge of the 2004 and 2008 IKA Culinary Olympics in Erfurt, Germany.

Bruce D. Hillenbrand, MBA, BA - Vice President of Admissions & Marketing – Mr. Hillenbrand joined the CIA in 2003 as Vice President of Marketing. His current areas of responsibilities include Marketing, Admissions and Enrollment, Licensing, and Communications. Prior to joining the Institute, Mr. Hillenbrand was employed in marketing and general management in the consumer packaged foods industry, most recently as Vice President, General Manager of a business unit at Unilever Bestfoods NA. He received his BA from Princeton University, and MBA from the Harvard Business School.

Richard Mignault, BA - Vice President of Administration & Shared Services - Mr. Mignault is directly responsible for Human Resources, Legal Affairs, Planning and Operational Support, Information Technology, and Hospitality Services. Prior to joining the CIA administration in 2010, Mr. Mignault was senior vice president for human resources and administration for Hilton Hotels Corporation. Richard was responsible for managing both corporate and field HR functions for 140,000 employees in more than 80 countries. He served in a variety of managerial and senior leadership positions in his more than 20 years with Hilton, both in the United States and abroad. In addition to his work for Hilton Hotels, Mr. Mignault was a principal consultant with Penta Management Group, a Miami-based firm focused on strategic planning and organizational process improvement. In this role, he managed numerous and diverse projects including creating the HR function for the opening of Carnival Hotels and

Casino's largest land based casino. He also served as vice president of human resources and information technology for Windsor Casino Limited, Canada's largest and most profitable gaming enterprise; and as vice president of human resources and administration for S.A.S. International Hotels in Brussels, Belgium. Mr. Mignault holds a Bachelor of Arts degree from the University of Western Ontario in London, Ontario.

Alice-Ann Schuster, MS, BS – Associate Vice President and Dean of Student Affairs – Ms. Schuster came to the Institute in 1997 when she was hired as dean of student affairs. Prior to joining the CIA, Ms. Schuster held the same title at both Vermont College of Norwich University and Paul Smith's College. She earned her BS at Ithaca College, has permanent teacher certification, and completed her MS at SUNY Albany. She is a member of the National Association of Student Personnel Administrators, National Orientation Directors Association, and New York State College Student Personnel Association.

Faculty

The Institute's 158 chefs and instructors share their culinary expertise in classes which average an 18:1 student instructor ratio. Each faculty member must have at least seven years of experience in the foodservice industry and most have more than a decade of service in some of the world's finest restaurants, hotels and industry corporations. The following table sets forth the faculty profile for the past five academic years.

FACULTY PROFILE

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Full-Time	142	155	156	148	155
Part-Time & Adjuncts	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	144	158	159	151	158
Full-Time Equivalent Faculty	143	157	158	150	156.5

Employee Relations

Most of the faculty of the Institute is represented in collective bargaining by the Culinary Teachers Association. The Institute's current contract with the Culinary Teachers Association expires on May 31, 2014. Most of the Institute's custodial and maintenance staff is represented in collective bargaining by the Culinary Craft Association. The Institute's current contract with the Culinary Craft Association expires on May 31, 2018.

OPERATING INFORMATION

Admissions

Identified in the table below are the number of applications received for admission to the Institute for each academic year of study over the past five academic years. Also included are the number of applications accepted and the number of students enrolled for each academic year.

ADMISSIONS STATISTICS

Applications, Acceptances and Matriculants

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Undergraduate					
Applications	3,499	3,349	3,927	3,861	4,439
Acceptances	2,191	2,193	2,549	2,415	2,590
Acceptance Ratio	63%	66%	65%	63%	58%
Matriculants	1,536	1,529	1,563	1,577	1,563
Matriculation Ratio	70%	70%	61%	65%	60%

For the 2012-13 academic year the Institute is budgeted to have 1,685 matriculants.

Student Enrollment

Total enrollment at the Institute has increased by 37% over the past five years. All matriculated students attend the Institute on a full-time basis. The following table presents the fall enrollment for the last five academic years, with 19% of the student body enrolled in their junior or senior year of the Bachelor's Degree Program.

For the 2012-13 academic year, the Institute is expecting a total enrollment of 2,890.

ENROLLMENT SUMMARY

Fall Enrollment by Academic Year

<u>Year</u>	<u>Number of Students</u>
2007-08	2,823
2008-09	2,828
2009-10	2,914
2010-11	2,785
2011-12	2,880

The Institute attracts students from all over the United States as well as from abroad. Over 78% of the Institute's degree program enrollment at the Hyde Park campus is drawn from outside the State of New York. The current student body represents every state in the United States with the exception of Iowa. The table below presents the geographic profile of the Institute's Hyde Park enrollment for the fall of 2011.

<u>Origin</u>	<u>2011 Fall Enrollment</u>	<u>Percentage</u>
New York	608	21.1%
California	267	9.3
New Jersey	242	8.4
Pennsylvania	177	6.1
Texas	159	5.5
Florida	121	4.2
Massachusetts	95	3.3
Maryland	94	3.3
Connecticut	91	3.2
Virginia	83	2.9
Ohio	68	2.4
All Other U.S.	625	21.7
Foreign	<u>250</u>	<u>8.7</u>
Total	2,880	100.0%

Competition

The CIA's major competitors include Johnson & Wales University, The Arts Institutes (Education Management Corporation) and Le Cordon Bleu Colleges of Culinary Arts (Career Education Corporation).

Continuing Education

The Institute conducts Continuing Education Programs at both the Hyde Park, New York campus as well as the Greystone campus in St. Helena, California. Continuing Education encompasses a multitude of educational

programs, including courses for professional culinarians which are designed to upgrade the skills of professionals in the hospitality industry, certificate programs, seminars and conferences, wine programs, distance learning, exclusive master chef testing, and adult education for food enthusiasts. Non-credit tuition revenue generated from Continuing Education totaled \$11.4 million in fiscal year 2011-12, which was a 4% increase from 2010-11.

Graduation

The number of students who graduate from the CIA each year has increased from 1,345 in 2007 to 1,509 in 2012.

Degrees Conferred by the CIA

	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
AOS Degrees	1,080	1,078	1,109	1,058	1,163
BPS Degrees	<u>265</u>	<u>321</u>	<u>313</u>	<u>318</u>	<u>346</u>
Total	1,345	1,399	1,422	1,376	1,509

Retention

The Institute has strong retention and graduation rates. Hyde Park's AOS graduation rate is 74% for the Culinary Arts program and 86% for the Baking & Pastry program. Ninety-one percent (91%) of the juniors who enter the bachelor's degree program graduate.

Tuition and Fees

For the 2011-12 fiscal year, annual full-time tuition at the Institute, for students in Associate's Degree Program was \$24,990, miscellaneous fees totaled \$2,155 and full room and board charges amounted to \$8,820. Miscellaneous fees cover the cost of uniforms, textbooks, materials and supplies. Net credit program tuition and fees and housing revenues account for approximately 72% of the Institute's unrestricted operating revenues. Tuition, room and board charges and miscellaneous student fees for the last five fiscal years are listed below:

Student Charges For AOS Degree Programs

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Tuition	\$22,330	\$23,380	\$24,360	\$24,990	\$25,900
Miscellaneous Fees	1,855	1,975	2,015	2,155	2,225
Room and Board	<u>7,770</u>	<u>8,110</u>	<u>8,420</u>	<u>8,820</u>	<u>8,870</u>
Total	\$31,955	\$33,465	\$34,795	\$35,965	\$36,995

In addition to the AOS programs at the Hyde Park and Greystone campuses and the AAS program at the San Antonio campus, there are numerous other credit programs at the Institute. At the Hyde Park campus, there is a bachelor's degree program (for juniors and seniors). The certificate programs available at the Greystone campus include a 30-week Advanced Culinary Arts Certificate Program and a 30-week Advanced Wine & Beverage Certificate Program. There is also a 30-week Latin Cuisines Certificate program at the San Antonio campus. The Institute's gross credit program tuition from all campuses was \$104.8 million, an increase of 7.4% from last year.

Student Financial Aid

The Institute administers a student aid program through which approximately 90% of the student body receives financial assistance in the form of grants, loans or campus employment. In fiscal year 2011-12, the Institute provided \$15.4 million in Institutional grant aid to students. In addition, Federal grants to students from the Pell Program, the Supplemental Educational Opportunity Grants Program and from the Veterans Benefits Program amounted to \$9.0 million. New York residents enrolled at the Institute received \$0.9 million in grants from the State's Tuition Assistance Plan in 2011-12. A summary of the funds provided for scholarships for the past five fiscal years is as follows:

SOURCES OF SCHOLARSHIP AND GRANT AID

(in thousands)

<u>Fiscal Year</u>	<u>Institute Grants</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Outside Awards</u>	<u>Total</u>
2007-08	\$14,998	\$936	\$3,770	\$2,708	\$22,412
2008-09	12,342	847	4,153	2,873	20,215
2009-10	13,860	879	6,288	3,072	24,099
2010-11	16,614	837	8,076	2,787	28,314
2011-12	15,357	903	8,942	2,791	27,993

In addition to grant aid, students financed their educational costs with jobs and loans. Students earned approximately \$2 million from Institute-sponsored employment opportunities and borrowed approximately \$432,000 through the Perkins Student Loan Program. In 2011-12 students borrowed an aggregate of \$17.8 million under the Stafford Student Loan program and \$27.8 million in various parent and alternative loan programs.

ANNUAL FINANCIAL STATEMENT INFORMATION

Independent Auditors

The consolidated financial statements of the Institute as of and for the years ended May 31, 2012 and 2011 included in Appendix B to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report.

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Management Report of Operating Results

Since fiscal year 2006, the Institute has averaged a yearly net increase in net assets of approximately \$10.1 million. For the past 30 years, the Institute has operated with a surplus. Presented on the following page are summaries derived from the Institute's consolidated audited financial statements for the five fiscal years ended May 31, 2008 through May 31, 2012.

Unrestricted Activities Fiscal Years Ended May 31, (in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating revenues and gains:					
Tuition and fees	\$ 91,270	\$ 97,071	\$101,610	\$108,560	\$116,212
Less scholarships and awards	<u>(15,453)</u>	<u>(15,949)</u>	<u>(16,500)</u>	<u>(19,083)</u>	<u>(17,265)</u>
Net tuition	75,817	81,122	85,110	89,477	98,947
Contributions for operations	3,287	4,251	2,757	3,302	4,378
Government grants and contracts	1,081	1,081	1,299	989	850
Investment return designated for current operations	3,999	4,032	3,834	2,564	2,665
Sales and services of educational activities	12,897	11,094	10,261	10,340	10,561
Sales and services of auxiliary enterprises	15,471	15,805	16,164	16,924	17,863
Other sources	4,941	4,835	4,287	4,672	4,537
Net assets released from restrictions	<u>619</u>	<u>1,687</u>	<u>1,484</u>	<u>1,657</u>	<u>2,744</u>
Total operating revenues and gains	<u>118,112</u>	<u>123,907</u>	<u>125,196</u>	<u>129,925</u>	<u>142,545</u>
Operating expenses:					
Instruction	48,326	50,604	50,051	52,560	55,681
Academic support	15,174	16,058	16,461	17,467	17,975
Student services	10,901	11,119	11,224	12,396	12,472
Institutional support	25,623	26,375	26,354	28,530	31,056
Auxiliary enterprises	<u>13,403</u>	<u>13,542</u>	<u>13,611</u>	<u>14,217</u>	<u>14,153</u>
Total operating expenses	<u>113,427</u>	<u>117,698</u>	<u>117,701</u>	<u>125,170</u>	<u>131,338</u>
Increase in net assets from operations	<u>4,685</u>	<u>6,209</u>	<u>7,495</u>	<u>4,755</u>	<u>11,207</u>
Nonoperating activities:					
Contributions for plant and endowment	812	49	4,772	778	634
Net assets released for plant	1,439	1,134	583	4,363	2,453
Investment return, net of amounts designated for current operations	(10,511)	(25,680)	4,322	5,429	(5,643)
Depreciation in fair value of derivative instruments	(2,669)	(4,828)	(416)	(486)	(6,811)
Change in value of gift annuity agreement	-	-	-	-	568
Cost of debt extinguishment	<u>(346)</u>	<u>(529)</u>	<u>-</u>	<u>(176)</u>	<u>-</u>
Increase (decrease) in net assets from nonoperating activities	<u>(11,275)</u>	<u>(29,854)</u>	<u>9,261</u>	<u>9,908</u>	<u>(8,799)</u>
Change in net assets before net asset reclassification of endowment funds for adoption of ASC 958-205	-	-	-	14,663	2,408
Net assets reclassification of endowment funds for adoption of ASC 958-205	<u>-</u>	<u>-</u>	<u>-</u>	<u>(259)</u>	<u>-</u>
Increase (decrease) in net assets	(6,590)	(23,645)	16,756	14,404	2,408
Unrestricted net assets at beginning of year	<u>141,982</u>	<u>135,392</u>	<u>111,747</u>	<u>128,503</u>	<u>142,907</u>
Unrestricted net assets at end of year	<u>\$135,392</u>	<u>\$111,747</u>	<u>\$128,503</u>	<u>\$142,907</u>	<u>\$145,315</u>

Net Assets

Unrestricted net assets of approximately \$145.3 million as of May 31, 2012 consisted primarily of long-term investments, cash and other unrestricted assets of \$154.6 million, generating investment return in support of the Institute's educational mission and purposes and \$189.3 million in land and facilities.

Temporarily restricted net assets are generally available for program purposes such as term endowment, financial aid, facilities and equipment and deferred giving arrangements.

Permanently restricted net assets are restricted by the donor, the investment return from which is used to support program activities such as financial aid and instruction.

For comparative purposes, the table below presents a summary of the changes in the Institute's net assets for each of the three categories of assets over the past five years based on information derived from the Institute's consolidated audited financial statements for the fiscal years ended May 31, 2008 through May 31, 2012.

Changes in Net Assets Fiscal Years Ended May 31, (in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Unrestricted net assets:					
Operating revenues and gains	\$118,112	\$123,907	\$125,196	\$129,925	\$142,545
Operating expenses	<u>113,427</u>	<u>117,698</u>	<u>117,701</u>	<u>125,170</u>	<u>131,338</u>
Increase in net assets from operations	4,685	6,209	7,495	4,755	11,207
Increase (decrease) in net assets from nonoperating activities	(11,275)	(29,854)	9,261	9,908	(8,799)
Net asset reclassification of endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(259)</u>	<u>-</u>
Net increase (decrease) in unrestricted net assets	<u>(6,590)</u>	<u>(23,645)</u>	<u>16,756</u>	<u>14,404</u>	<u>2,408</u>
Temporarily restricted net assets:					
Contributions	2,378	1,479	1,177	12,411	13,306
Investments return	36	(41)	(30)	3,362	(445)
Net assets released for plant	(1,439)	(1,134)	(583)	(4,363)	(2,453)
Net assets released from restrictions	(619)	(1,687)	(1,484)	(1,657)	(2,744)
Net asset reclassification of endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>259</u>	<u>-</u>
Net increase (decrease) in temporarily restricted net assets	356	(1,385)	(920)	10,012	8,554
Permanently restricted net assets:					
Contributions	789	416	303	6	119
Investments return	<u>-</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>-</u>
Net increase in permanently restricted net assets	<u>789</u>	<u>420</u>	<u>304</u>	<u>7</u>	<u>119</u>
Increase (decrease) in net assets	(5,445)	(24,610)	16,139	24,423	11,082
Net assets at the beginning of the year	<u>178,045</u>	<u>172,600</u>	<u>147,990</u>	<u>164,129</u>	<u>188,552</u>
Net assets at the end of the year	<u>\$172,600</u>	<u>\$147,990</u>	<u>\$164,129</u>	<u>\$188,552</u>	<u>\$199,634</u>
Net Assets:					
Unrestricted	\$135,393	\$111,748	\$128,503	\$142,907	\$145,315
Temporarily restricted	14,907	13,522	12,601	22,614	31,168
Permanently restricted	<u>22,300</u>	<u>22,720</u>	<u>23,024</u>	<u>23,032</u>	<u>23,151</u>
Total	<u>\$172,600</u>	<u>\$147,990</u>	<u>\$164,129</u>	<u>\$188,552</u>	<u>\$199,634</u>

Fund Raising

During fiscal year 2012, the Institute recorded \$18.4 million in net contributions. Of this amount, \$4.7 million represented operating gifts and \$13.7 million represented contributions for plant and endowment. Cash and other gift revenue totaling \$15.3 million was received during the year and \$3.1 million in net pledge gifts were received. The Institute's pledge receivable as of May 31, 2012 was \$5.3 million, which is presented at net present value.

The chart which follows shows a five-year history of net gifts received.

<u>Fiscal Year</u>	<u>Net Gifts Received</u>
2008	\$7,265,706
2009	6,194,908
2010	9,009,245
2011	16,496,729
2012	<u>18,437,396</u>
Total	<u>\$57,403,984</u>

Investments

Total investments include long-term and short-term investments and deposits with trustees. The following table provides the market value of the CIA's total investments for the past four fiscal years ended May 31:

	<u>Total Investments</u>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Time deposits & short term funds	\$119,630	\$10,141,430	\$10,259,443	\$182,111
Equity Securities	28,763,130	31,005,947	33,084,554	24,561,686
Comingled equity and debt funds	10,952,178	6,686,271	19,563,680	36,575,825
US government debt securities	5,440,180	2,326,309	2,104,304	14,197,408
Corporate debt securities	8,157,118	5,550,311	7,159,112	11,513,093
Mortgaged backed securities	849,050	1,092,533	822,910	601,494
Private equity & limited partnerships	8,786,100	19,835,362	26,565,388	22,657,208
Land and other	1,617,000	1,100,000	1,100,000	1,100,000
Total investments	<u>\$64,684,386</u>	<u>\$77,738,163</u>	<u>\$100,659,391</u>	<u>\$111,388,825</u>

On May 31, 2008, the Institute's total investments had a market value of \$86.1 million. As of August 31, 2012, total investments had a market value of \$114.6 million, of which the Institute estimates approximately \$102.6 million of investments could be liquidated within 120 days.

The Institute has adopted a total return spending policy on its endowment and similar funds. Under this policy, the Institute accounts for a spending rate of 5% based on the endowment fund's average fair value of the prior 12 quarters. The spending rate is accounted for as investment return designated for operations in operating revenues. Excess earnings, or investment return shortfalls, are accounted for in nonoperating activities.

Historically the Institute's operations have generated sufficient cash flow such that the Institute has not drawn down funding from long term investments. In fiscal years 2012 and 2011, the Institute generated \$19.7 million and \$8.7 million, in positive cash flows from operations, respectively. The goal established by the Institute's Board of Trustees is to grow the Institute's long term investment value through investment earnings and appreciation, new gifts and operating surpluses.

The Institute's endowment is overseen by the Investment Committee of the Board of Trustees, and supported by Perella Weinberg Partners as investment consultant. The Investment Committee has the responsibility for maintaining the investment policy including the spending policy, asset allocation and rebalancing of the portfolio, and hiring managers and consultants. The Investment Committee meets on a quarterly basis with its consultants to review performance, asset allocation and any other issues.

The following table details the market value of the Institute's endowment investments for the past five fiscal years ended May 31:

	Endowment Investments				
	2008	2009	2010	2011	2012
Endowment and similar purposes	\$86,567,388	\$65,209,049	\$72,902,870	\$93,093,301	\$100,155,107

As of August 31, 2012, market value of the Institute's endowment was \$102.1 million.

Pension Plans

All employees of the Institute are eligible to participate in the Retirement Annuity Plan sponsored by the Teacher's Insurance and Annuity Association. Under this defined contribution plan, the Institute makes annual contributions to the plan which are immediately vested for the benefit of the participants. There are no unfunded past service costs under this plan.

Plant Values

The book value of the physical plant of the Institute has increased during recent years. The following tabulation shows the book value of land, buildings and equipment and furnishings as of May 31 of each of the last five fiscal years.

Land, Building & Equipment

Fiscal Year	Land	Buildings & Improvements	Furniture & Equipment	Construction In Progress	Accumulated Depreciation	Total
2008	\$6,930,087	\$199,180,265	\$47,521,189	\$1,125,383	(\$77,808,471)	\$176,948,453
2009	6,930,087	202,384,432	51,001,808	5,476,430	(84,763,379)	181,029,378
2010	7,373,865	214,784,945	53,590,561	4,334,543	(92,081,221)	188,002,693
2011	7,373,865	222,676,116	56,792,505	2,471,152	(99,697,886)	189,615,752
2012	7,373,865	226,051,963	59,815,282	3,536,985	(107,506,851)	189,271,244

The Institute presently carries, under blanket policies, insurance on its buildings and their contents, excluding building foundations and land, at 100% of the replacement cost.

Capital Plans

The Institute is anticipating commencing construction of an addition to the Student Recreation Center to expand student dining facilities and other improvements in the spring of 2013, subject to approvals of the Board of Trustees, the Town of Hyde Park and the Authority. The Authority has given its preliminary approval of the project which is planned to be financed by approximately \$18,500,000 of Authority bonds in the spring of 2013.

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Outstanding Indebtedness

Long-term indebtedness of the Institute at May 31, 2012 is summarized as follows:

<u>Issue</u>	<u>Rate(s)</u>	<u>Maturity</u>	<u>Outstanding</u>
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 1999*	4.000% - 5.375%	2028	\$12,970,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 2004A	2.000% - 4.000%	2027	7,405,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 2004B	2.500% - 4.000%	2016	4,495,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 2004C	Variable	2033	23,725,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 2004D	Variable	2034	16,500,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 2006	Variable	2036	13,725,000
California Statewide Communities Development Authority Revenue Bonds, Series 2008	Variable	2038	<u>16,175,000</u>
Total long-term obligations			\$94,995,000

*A portion of the Series 2012 Bonds will be used to refund and defease the Series 1999 Bonds.

In connection with the issuance by the Authority of the Series 2004C and the Series 2004D shown in the table above on behalf of the Institute, the Institute entered into an interest rate swap agreement with Goldman, Sachs & Co. in an aggregate notional amount of \$23,725,000 and an interest rate swap agreement with Wachovia (now Wells Fargo) in an aggregate notional amount of \$14,000,000, respectively. These two separate, but substantially identical, interest rate exchange agreements (collectively, the “2004 Swap Agreements”) were entered by the Institute in order to convert the variable rate on its variable rate bonds, to a synthetic fixed rate. The 2004 Swap Agreements have an aggregate notional amount of \$37,725,000, bear a fixed rate of 3.359% and 3.597%, respectively, and have maturities matching the related series of bonds.

In connection with the issuance by the Authority of the Series 2006 Bonds shown in the table above, the Institute entered into an interest rate swap agreement with Royal Bank of Canada in an aggregate notional amount of \$15,125,000. Such interest rate exchange agreement (the “2006 Swap Agreement”) was entered into by the Institute in order to convert the variable rate on its variable rate bonds to a synthetic fixed rate. The 2006 Swap Agreement has an aggregate notional amount of \$15,125,000, bears a fixed rate of 3.678%, and has a maturity matching the Series 2006 Bonds. RBC Capital Markets, LLC is an indirect wholly-owned subsidiary of Royal Bank of Canada, the counterparty for the 2006 Swap Agreement.

In connection with the 2010 reoffering of the California Statewide Communities Development Authority Revenue Bonds (The Culinary Institute of America) Series 2008 (the “CSCDA Bonds”) shown in the table above, which converted the Bonds to bank qualified variable rate bonds purchased by TD Bank, N.A. for an initial term of ten years, the 2005 interest rate swap agreement in an aggregate notional amount of \$14,150,000, maturing on October 1, 2035 was assumed by TD Bank, N.A. and the fixed rate was modified to 3.284%.

The Institute entered into the Swap Agreements as a means of achieving a lower net fixed rate interest cost rather than issuing fixed-rate bonds at the time of issuance. The swap agreements may expose the Institute to certain market, tax-rate and credit risks. The Institute may terminate the swap agreements at any time at market value, or upon the occurrence of certain events. In addition, the Institute or the swap agreement providers may terminate the swap agreements if the Institute fails to perform under the terms of the swap agreements or is downgraded below “Baa2” by Moody’s. If the swap agreements are terminated, the Series 2004C, Series 2004D, Series 2006 and Series 2008 Bonds would bear interest at variable rates, and the Institute could be liable for one or more termination

payments if the swap agreements have a negative market value. The Swap Agreements require the Institute to post collateral if a swap value exceeds a \$2 million liability to the Institute for each counterparty. As of August 31, 2012, the Institute had posted collateral of \$6.98 million to its swap counterparties.

Insurance

The Institute carries a broad range of property and general liability coverage, including Directors and Officers liability coverage, in amounts customary for institutions of the size of the Institute.

Litigation

There is no material litigation pending or threatened against the Institute which would result in recovery which is not covered by applicable insurance programs less deductible provisions.

PART 8 - BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2012 Bonds. Such discussion is not exhaustive, should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. 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, copies of which are available as described in this Official Statement.

General

The Series 2012 Bonds are payable from payments to be made by the Institute under the Loan Agreement. The ability of the Institute to comply with its obligations under the Loan Agreement depends primarily upon the ability of the Institute to continue to attract sufficient tuition-paying students to its educational programs, to obtain sufficient revenues from related activities and to maintain sufficient creditworthiness. The Institute expects that revenues derived from its ongoing operations, together with other available resources, will at all times be sufficient to make the required payments on the Loan Agreement and the Institute will covenant under the Loan Agreement to make all such payments when due. There are certain risks, however, which might prevent the Institute from obtaining sufficient revenues from tuition and other sources to meet all of its obligations, including its obligations under the Loan Agreement. Purchasers of the Series 2012 Bonds should bear in mind that the occurrence of any number of events could adversely affect the ability of the Institute to generate such revenues. Future economic, demographic and other conditions, including the demand for culinary educational services, the ability of the Institute to provide the services required by students, economic developments and competition from other culinary educational institutions, together with changes in costs, may adversely affect revenues and expenses and, consequently, the ability of the Institute to provide for payments. The future financial condition of the Institute could also be adversely affected by, among other things, legislation and regulatory actions, and a number of other conditions which are unpredictable.

Financial Assistance

The amount of available financial assistance is a significant factor in the decision of many students to attend a particular college or university. During the 2010-2011 academic year, approximately 90% of the Institute's enrolled students receive some form of financial assistance through the Institute. The level of financial assistance is directly affected by funding levels of federal, state and other financial aid programs. Any significant reduction in the level of financial assistance offered to prospective students could reduce the number of students enrolling at the Institute.

Investment Income

The Institute's investment program for endowment and similar funds operates under an investment policy statement and guidelines established by the Board, which delegates direct oversight for the investment program to

the Investment Committee of the Board. The consolidated endowment pool is managed by external money managers appointed for the purpose by the Investment Committee. Although the unrestricted portion of the Institute's endowment funds and the payout therefrom are available for debt service payments on the Series 2012 Bonds, no assurance can be given 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.

Fund Raising

The Institute raises funds to finance its operations and capital development programs from a variety of benefactors. Although it plans to continue those efforts in the future, there can be no assurance that those efforts will be successful. Such efforts may be adversely affected by a number of factors, including general economic conditions and tax law changes affecting the deductibility of charitable contributions.

Government Funding

The federal and state governments provide funding to support education, including tuition assistance. These sources of funding and the governmental programs that support them have been and will continue to be subject to modification and revision due to state and federal policy decisions, legislative action and government funding limitations. The financial condition of the Institute could be adversely affected by these actions and the ability of the Institute to maintain its creditworthiness will be based on its ability to successfully manage the outcome of any such actions.

Risks as Employer

The Institute is a major employer, combining a complex mix of full-time faculty, part-time faculty, technical and clerical support staff and other types of workers in a single operation. As with all large employers, the Institute bears a wide variety of risks in connection with its employees. These risks include discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees or between employees and students) and other risks that may flow from the relationships between employer and employee or between students and employees. Certain of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance.

Changes in Law

Changes in law may impose new or added financial or other burdens on the operations of the Institute. Developments may include: (i) legislative or regulatory requirements for maintaining status as an organization exempt from taxation as described in Section 501(c)(3) of the Code; or (ii) challenges to State and local exemptions from real property tax and other taxes. It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of not-for-profit corporations. There can be no assurance that future changes in the laws and regulations will not materially adversely affect the operations and financial condition of the Institute by requiring it to pay income or real property taxes (or other *ad valorem* taxes).

Tax-Exempt Status Change

Loss of tax-exempt status by the Institute could result in loss of tax exemption of interest on the Series 2012 Bonds and defaults in covenants regarding the Series 2012 Bonds and other related tax-exempt debt would likely be triggered. However, loss of tax-exempt status by the Institute would not cause a mandatory redemption or acceleration on the Series 2012 Bonds nor would it cause a change in the interest rates on the Series 2012 Bonds. The maintenance by the Institute of its Section 501(c)(3) tax-exempt status depends, in part, upon compliance with general rules in the Code and related United States Treasury regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals.

Additional Indebtedness

The Institute may issue, incur or assume additional indebtedness without limitation, subject to compliance with the conditions contained in the Loan Agreement. The Institute may also issue, incur, assume, or guarantee Parity Indebtedness with the consent of the Authority. See "PART 2 -SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS -Financial Covenants" and "APPENDIX C -Summary of Certain Provisions of the Loan Agreement." There is no assurance that, despite compliance with the covenants in the Loan Agreement, the ability of the Institute to make necessary payments to repay the Series 2012 Bonds would not be affected by the issuance of additional indebtedness.

Certain Matters Relating to Enforceability of the Resolution and Loan Agreement

The obligation of the Institute to make payments on the Loan Agreement will be limited as the obligations of debtors typically are affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors' rights. If the Institute filed for the reduction of its debts in a proceeding under the federal Bankruptcy Code, the court could approve provisions modifying, eliminating or altering the rights of creditors generally, or any class of them, secured or unsecured. If the Institute should file a plan of reorganization ("Plan"), when confirmed by the court, such Plan binds all creditors who had notice or knowledge of the Plan and discharges all claims against the debtor as provided for in the Plan. No Plan may be confirmed unless certain conditions are met, among which are that the Plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the Plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the Plan are cast in its favor. Even if the Plan is not so accepted, it may be confirmed if the court finds that the Plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In addition, there exists common law authority and authority under State statutes for the ability of the State courts to terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of the State Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Secondary Market for the Series 2012 Bonds

There can be no assurance that there will be a secondary market for purchase or sale of the Series 2012 Bonds. From time to time there may be no market for the Series 2012 Bonds depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the Institute's capabilities and the financial condition and results of operations of the Institute.

PART 9 — THE AUTHORITY

Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority was created by the Act for the purpose of financing and constructing a variety of facilities for certain independent colleges and universities and private hospitals, certain not-for-profit institutions, public educational institutions including The State University of New York, The City University of New York and Boards of Cooperative Educational Services ("BOCES"), certain school districts in the State, facilities for the Departments of Health and Education of the State, the Office of General Services, the Office of General Services of the State on behalf of the Department of Audit and Control, facilities for the aged and certain judicial facilities for cities and counties. The Authority is also authorized to make and purchase certain loans in connection with its student loan program. To carry out this purpose, the Authority was given the authority, among other things, to issue and sell negotiable bonds

and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

On September 1, 1995, the Authority through State legislation (the “Consolidation Act”) succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the “Agency”) and the Facilities Development Corporation (the “Corporation”), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

In addition to providing financing, the Authority offers a variety of services to certain educational, governmental and not-for-profit institutions, including advising in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, designing interiors of projects and designing and managing projects to rehabilitate older facilities. In succeeding to the powers, duties and functions of the Corporation as described above, the scope of design and construction services afforded by the Authority has been expanded.

Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)

At September 30, 2012, the Authority had approximately \$46 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority’s bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

The Authority’s bonds and notes include both special obligations and general obligations of the Authority. The Authority’s special obligations are payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued or from borrowers in connection with its student loan program. Such payments are pledged or assigned to the trustees for the holders of respective special obligations. The Authority has no obligation to pay its special obligations other than from such payments. The Authority’s general obligations are payable from any moneys of the Authority legally available for the payment of such obligations. However, the payments required to be made by or for the account of the institution for which general obligations were issued generally have been pledged or assigned by the Authority to trustees for the holders of such general obligations. The Authority has always paid the principal of and interest on its special and general obligations on time and in full.

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at September 30, 2012 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York				
Dormitory Facilities	\$ 2,973,376,000	\$ 1,546,315,000	\$ 0	\$ 1,546,315,000
State University of New York Educational and Athletic Facilities	16,765,662,999	7,139,229,207	0	7,139,229,207
Upstate Community Colleges of the State University of New York	1,644,630,000	647,385,000	0	647,385,000
Senior Colleges of the City University of New York	11,488,156,762	3,899,363,213	0	3,899,363,213
Community Colleges of the City University of New York	2,658,613,350	581,786,787	0	581,786,787
BOCES and School Districts	3,504,056,208	2,532,440,000	0	2,532,440,000
Judicial Facilities	2,161,277,717	637,947,717	0	637,947,717
New York State Departments of Health and Education and Other	9,336,660,000	6,647,410,000	0	6,647,410,000
Mental Health Services Facilities	8,662,585,000	4,009,210,000	0	4,009,210,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	<u>1,146,845,000</u>	<u>717,200,000</u>	<u>0</u>	<u>717,200,000</u>
Totals Public Programs	<u>\$61,115,338,036</u>	<u>\$28,358,286,924</u>	<u>\$ 0</u>	<u>\$28,358,286,924</u>
Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	\$21,385,814,952	\$10,564,624,324	\$70,895,000	\$10,635,519,324
Voluntary Non-Profit Hospitals	15,487,504,309	6,763,085,000	0	6,763,085,000
Facilities for the Aged	2,090,355,000	536,280,000	0	536,280,000
Supplemental Higher Education Loan Financing Program	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals Non-Public Programs	<u>\$39,058,674,261</u>	<u>\$17,863,989,324</u>	<u>\$70,895,000</u>	<u>\$17,934,884,324</u>
Grand Totals Bonds and Notes	<u>\$100,174,012,297</u>	<u>\$46,222,276,248</u>	<u>\$70,895,000</u>	<u>\$46,293,171,248</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At September 30, 2012, the Agency had approximately \$163 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at September 30, 2012 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities	<u>\$ 3,817,230,725</u>	<u>\$ 0</u>
Non-Public Programs	Bonds Issued	Bonds Outstanding
Hospital and Nursing Home Project Bond Program	\$ 226,230,000	\$ 2,035,000
Insured Mortgage Programs	6,625,079,927	158,710,000
Revenue Bonds, Secured Loan and Other Programs	<u>2,414,240,000</u>	<u>2,790,000</u>
Total Non-Public Programs	<u>\$ 9,265,549,927</u>	<u>\$ 163,535,000</u>
Total MCFFA Outstanding Debt	<u>\$ 13,082,780,652</u>	<u>\$ 163,535,000</u>

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of the Authority annually choose the following officers, of which the first two must be members of the Authority: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of the Authority are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

JOHN B. JOHNSON, JR., *Vice-Chair*, Watertown.

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2013.

JACQUES JIHA, Ph.D., *Secretary*, Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President/Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd/Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund and a member of the Board of Directors at Ronald McDonald House of New York. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the state's chief

investment officer, he managed the assets of the NY Common Retirement Fund, valued at \$120 billion, and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

TIM C. LOFTIS, Esq., Buffalo.

Tim Loftis was appointed as a Member of the Authority by the Governor on June 20, 2012. Mr. Loftis is a partner in the Business and Corporate practice group of the law firm Jaekle Fleischmann & Mugel, LLP. He has experience in business and corporate matters with an emphasis on transactional matters, including domestic and international mergers and acquisitions as well as complex commercial financing transactions. Mr. Loftis is Chair of the Board of Directors of the Buffalo Niagara Partnership. He is admitted to practice law in the State of New York and the U.S. District Court for the Western District of New York. Mr. Loftis holds a Bachelors of Arts degree from the State University of New York at Buffalo and a Juris Doctor degree from Georgetown University Law Center. His term expires on March 31, 2015.

BERYL L. SNYDER, J.D., New York.

Ms. Snyder was appointed as a member of the Authority by the Governor on June 15, 2011. She is currently a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. Previously, she was Vice President, General Counsel and a Director of Biocraft Laboratories, Inc. and a Director of Teva Pharmaceuticals. Ms. Snyder serves as a Board member of the Beatrice Snyder Foundation, the Roundabout Theater, the Advisory Committee of the Hospital of Joint Diseases and the Optometric Center of New York, where she also serves on the Investment Committee. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2013.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Romski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, NY. Mr. Romski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation

Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Ronski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

JOHN B. KING, JR., J.D., Ed.D., *Commissioner of Education of the State of New York, Slingerlands; ex-officio.*

Dr. John B. King, Jr., was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as chief executive officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Dr. King is also responsible for licensing, practice and oversight of numerous professions. Dr. King previously served as Senior Deputy Commissioner for P-12 Education at the New York State Education Department. Prior thereto, Dr. King served as a Managing Director with Uncommon Schools. Prior to this, Dr. King was Co-Founder and Co-Director for Curriculum & Instruction of Roxbury Preparatory Charter School and prior to that, Dr. King was a teacher in San Juan, Puerto Rico and Boston, Massachusetts. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

NIRAV R. SHAH, M.D., M.P.H., *Commissioner of Health, Albany; ex-officio.*

Nirav R. Shah, M.D., M.P.H., was appointed Commissioner of Health on January 24, 2011. Prior to his appointment he served as Attending Physician at Bellevue Hospital Center, Associate Investigator at the Geisinger Center for Health Research in central Pennsylvania, and Assistant Professor of Medicine at the NYU Langone Medical Center. Dr. Shah is an expert in use of systems-based methods, a leading researcher in use of large scale clinical laboratories and electronic health records and he has served on the editorial boards of various medical journals. He is a graduate of Harvard College, received his medical and master of public health degrees from Yale School of Medicine, was a Robert Wood Johnson Clinical Scholar at UCLA and a National Research Service Award Fellow at NYU.

ROBERT L. MEGNA, *Budget Director of the State of New York, Albany; ex-officio.*

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than \$90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New

York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

MICHAEL T. CORRIGAN is the Vice President of the Authority, and assists the President in the administration and operation of the Authority. Mr. Corrigan came to the Authority in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's Budget Director from 1986 to 1995. Immediately before coming to the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and Rhode Island and has worked in the construction industry for over twenty years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives. Ms. Wallace is responsible for strategic efforts in program development, including maximizing the utilization of Minority and Women Owned Businesses, sustainability, training and marketing, as well as communicating with DASNY's clients, vendors, the public and governmental officials. She has more than 20 years of senior leadership experience in diverse private sector telecommunications businesses and civic organizations. Ms. Wallace holds a Bachelor's Degree from Pepperdine University and a Master's Degree in Public Administration from Columbia University.

The position of General Counsel is currently vacant.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2012 Bonds.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect the Authority and its operations. The Authority is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

The Authority complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder respecting the Project to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2012. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 10 — LEGALITY OF THE SERIES 2012 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2012 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2012 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 11 — NEGOTIABLE INSTRUMENTS

The Series 2012 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2012 Bonds.

PART 12 — TAX MATTERS

In the opinion of Bond Counsel, under existing law and assuming compliance by the Authority and the Institute with certain covenants and the accuracy and completeness of certain representations of the Authority and the Institute, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”) and is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations under the Code. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

The Code imposes various requirements that must be met in order that interest on the Series 2012 Bonds will be and remain excludable from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Series 2012 Bonds and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with the requirements of the Code may cause interest on the Series 2012 Bonds to be includable in gross income for purposes of federal income tax retroactive to the date of original execution and delivery of the Series 2012 Bonds, regardless of the date on which the event causing such inclusion occurs. The Authority and the Institute have covenanted in the Resolutions, Loan Agreement and Tax Compliance Agreement to comply with the requirements of the Code and have made representations in such documents addressing various matters relating to the requirements of the Code. The opinion of Bond Counsel assumes continuing compliance with such covenants as well as the accuracy of such representations made by the Authority and the Institute.

Certain requirements and procedures contained or referred to in the Resolutions, Loan Agreement, the Tax Compliance Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. The opinion of Hiscock & Barclay, LLP states that such firm, as Bond Counsel, expresses no opinion as to any Series 2012 Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of Bond Counsel other than Hiscock & Barclay, LLP.

The Series 2012 Bonds are being sold to the initial purchasers at prices greater than the stated principal amount thereof. The Series 2012 Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Series 2012 Bond may realize taxable gain upon disposition of Series 2012 Bonds even though sold or redeemed for an amount less than or equal to such owner’s original cost of acquiring Series 2012 Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that an owner of Series 2012 Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Owners of Series 2012 Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Series 2012 Bonds.

Prospective purchasers of the Series 2012 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2012 Bonds may have collateral federal income tax consequences for certain taxpayers, including financial corporations, insurance companies, Subchapter S corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2012 Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Interest paid on tax-exempt obligations is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. Interest on the Series 2012 Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (ii) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Series

2012 Bonds and will be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Series 2012 Bonds, if other than the registered owner).

In the opinion of Bond Counsel, interest on the Series 2012 Bonds is exempt, under existing statutes, from personal income taxes of the State and its political subdivisions, as applicable. See "Appendix E – Form of Approving Opinion of Bond Counsel".

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authority and represents Bond Counsel's judgment as to the proper treatment of the Series 2012 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Bondholders regarding the tax-exempt status of the Series 2012 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2012 Bonds, and may cause the Authority, the Institute or the Bondholders to incur significant expense.

PART 13 — STATE NOT LIABLE ON THE SERIES 2012 BONDS

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable on them and that such notes and bonds are not payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2012 Bonds are not a debt of the State and that the State is not liable on them.

PART 14 — COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes or bonds

PART 15 — LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2012 Bonds by the Authority are subject to the approval of Hiscock & Barclay, LLP, Albany, New York, whose approving opinion will be delivered with the Series 2012 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institute by its Counsel, Corbally, Gartland and Rappleyea, LLP, Poughkeepsie, New York. Certain legal matters will be passed upon for the Underwriter by its co-counsel, Trespasz & Marquardt, LLP, Syracuse and Marous & Marous, P.C., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2012 Bonds or questioning or affecting the validity of the Series 2012 Bonds or the proceedings and authority under which they are to be issued.

PART 16 — UNDERWRITING

RBC Capital Markets, LLC has agreed, subject to certain conditions, to purchase the Series 2012 Bonds from the Authority at an aggregate purchase price of \$24,333,987.10 and to make a public offering of Series 2012 Bonds at prices that are not in excess of the public offering prices stated on the cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2012 Bonds if any are purchased.

The Series 2012 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

PART 17 — VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc., a firm of independent public accountants, will deliver to the Authority its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assumptions provided by the Authority and its representatives with respect to the redemption and defeasance of the Refunded Bonds. Included in the scope of its examination will be a verification of the accuracy of the mathematical computations of the adequacy of the cash and, the maturing principal amounts and the interest on the Investment Securities deposited with the Prior Trustees under the resolutions pursuant to which the Refunded Bonds were issued to pay the redemption price of and interest coming due on the Refunded Bonds on their respective redemption dates as described in “PART 5 - THE REFUNDING PLAN.” Causey Demgen & Moore Inc. will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2012 Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2012 Bonds from gross income for federal income tax purposes.

PART 18 — CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended (“Rule 15c2-12”), the Institute has undertaken in a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Bondholders to provide to Digital Assurance Certification LLC (“DAC”), on behalf of the Authority as the Authority’s disclosure dissemination agent, on or before 120 days after the end of each fiscal year, commencing with the fiscal year of the Institute ending May 31, 2013, for filing by DAC with the Municipal Securities Rulemaking Board (“MSRB”) and its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in “PART 7 - THE INSTITUTE” of this Official Statement (the “Annual Information”), together with the Institute’s annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Institute, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Institute and the Authority, to file such information and financial statements, as promptly as practicable, but no later than three business days after receipt of the information by DAC from the Institute, with the MSRB.

The Institute also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, the Authority and the Trustee have undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Institute, the Trustee or the Authority, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2012 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institute has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the Institute, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institute, the Holders of the Series 2012 Bonds or any other party. DAC has no responsibility for the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institute, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institute, the Trustee and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in "PART 7 - THE INSTITUTE" under the headings "OPERATING INFORMATION" and "ANNUAL FINANCIAL STATEMENT INFORMATION" relating to: (1) *student admissions*, similar to that set forth under the heading "ADMISSIONS STATISTICS;" (2) *student enrollment*, similar to that set forth under the heading "ENROLLMENT SUMMARY;" (3) *tuition and other student charges*, similar to that set forth under the heading "STUDENT CHARGES FOR DEGREE PROGRAMS;" (4) *financial aid*, similar to that set forth under the subheading "SOURCES OF SCHOLARSHIP AND GRANT AID;" (5) *faculty*, similar to that set forth under the heading "FACULTY PROFILE;" (6) *employee relations*, including material information about union contracts and, unless such information is included in the audited financial statements of the Institute, post retirement benefits and pension plans; (7) *restricted and designated net assets and investments and cash equivalents*, unless such information is included in the audited financial statements of the Institute; (8) *investment in plant*, unless such information is included in the audited financial statements of the Institute; and (9) *outstanding long-term indebtedness*, unless such information is included in the audited financial statements of the Institute; together with (b) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Institute and in judging the financial and operating condition of the Institute.

The Notices include notices of any of the following events (the "Notice Events") with respect to the Series 2012 Bonds: (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, IRS notices or events affecting the tax status of the Series 2012 Bonds; (7) modifications to the rights of holders of the Series 2012 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2012 Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Institute; (14) merger, consolidation or acquisition of the Institute, if material; (15) appointment of a successor or additional trustee, or the change in name of a trustee, if material; and (16) failure to provide annual information as required. In addition, DAC will undertake, for the benefit of the Holders of the Series 2012 Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Institute to provide the Annual Information and annual financial statements by the date required in the Institute's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the Institute, the Trustee and/or the Authority, and no person, including any Holder of the Series 2012 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the Institute may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2012 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2012 Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2012 Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2012 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2012 Resolutions or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2012 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2012 Bonds will be on file at the principal office of the Authority.

In the past five years, the Institute has not failed to comply, in any material respects, with any previous continuing disclosure undertaking entered into in connection with any tax-exempt offerings.

PART 19 — RATINGS

Moody's Investors Service ("Moody's") has assigned a rating of "Baa2" with a positive outlook to the Series 2012 Bonds. Such rating reflect only the views of such rating agency and any desired explanation of the significance of such ratings or any outlooks or other statements given with respect thereto should be obtained from the rating agency at Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such rating will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2012 Bonds.

PART 20 — MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolutions and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolutions and the Loan Agreement for full and complete details of their provisions. Copies of the Resolutions and the Loan Agreement are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2012 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2012 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2012 Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as expressions of opinion and not as representations of fact.

The information regarding the Institute was supplied by the Institute. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

The information regarding DTC and DTC's book-entry only system has been furnished by DTC. The Authority believes that this information is reliable, but makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

"Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix E - Form of Approving Opinion of Bond Counsel" have been prepared by Hiscock & Barclay LLP, Albany, New York, Bond Counsel.

"Appendix B - Financial Statements of The Culinary Institute of America With Report of Independent Auditors" contains the consolidated financial statements of the Institute as of and for the years ended May 31, 2012 and 2011 which have been audited by KPMG LLP, independent auditors as stated in their report appearing therein.

The Institute has reviewed the parts of this Official Statement describing the Institute, the Estimated Sources and Uses of Funds, the Project and Appendix B. The Institute, as a condition to issuance of the Series 2012 Bonds, is required to certify that as of the date of this Official Statement, such parts do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The Institute has agreed to indemnify the Authority, the Underwriter and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by the Authority.

**DORMITORY AUTHORITY OF
THE STATE OF NEW YORK**

By: /s/ Paul T. Williams, Jr.
 Authorized Officer

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CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Resolution, the Series 2012 Resolution, or the Loan Agreement and used in this Official Statement.

Accreted Value means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or the Bond Series Certificate relating thereto and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

Act means the Dormitory Authority Act being Title 4 of Article 8 of the Public Authorities Law of the State, as amended, including, without limitation, by the Health Care Financing Construction Act, being Title 4-B of Article 8 of the Public Authorities Law of the State of New York, as amended.

Appreciated Value means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or the Bond Series Certificate relating thereto and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

Arbitrage Rebate Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Authority means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of the Authority.

Authority Fee means the fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Series 2012 Bonds and the construction of the related Project, as more particularly described in Schedule B to the related Loan Agreement and made a part of such Loan Agreement.

Authorized Newspaper means **The Bond Buyer** or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Officer means (i) in the case of the Authority, the Chair, the Vice-Chair, the Executive Director and President, the Deputy Executive Director and Vice President, the General Counsel and Assistant Secretary, the Chief Financial Officer and Treasurer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction, the Managing Director, Construction and Metro New York Operations and Assistant Treasurer, the Managing General Counsels and Assistant Secretaries, the Director, Financial Management and Assistant Treasurer, and the Senior Financial Analysts and Assistant Treasurers, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institute, when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of the

Institute to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, an Authorized Signatory, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

Bond or **Bonds** means any of the bonds of the Authority authorized and issued pursuant to the Resolution and to a Series Resolution.

Bond Counsel means a law firm appointed by the Authority with respect to a Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bond Series Certificate means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under the Resolution or under a Series Resolution as it may be amended from time to time.

Bond Year means, unless otherwise stated in a Series Resolution or a Bond Series Certificate, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Bondholder, Holder of Bonds or **Holder** or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series.

Book Entry Bond means a Bond of a Series authorized to be issued to, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owner of such Bond.

Business Day means, unless otherwise defined in connection with Bonds of a particular Series, any day which is not a Saturday, Sunday or a day on which the Trustee or banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

Capital Appreciation Bond means any Bond as to which interest is compounded on each Valuation Date for such Bond and is payable only at the maturity or prior redemption thereof.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Construction Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Continuing Disclosure Agreement means the agreement, if any, entered into in connection with the issuance of Bonds of a Series, by and among the Institute, the Authority and the Trustee, or such other parties designated at such times, providing for continuing disclosure.

Contract Documents means any general contract or agreement for the construction of the Project contemplated by the Series 2012 Resolution, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institute relating to such construction of the Project, and any amendments to the foregoing.

Cost or **Costs of Issuance** means the items of expense incurred in connection with the authorization, sale and issuance of Bonds of a Series, which items of expenses shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, a Provider or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on such Bonds, commitment fees or similar charges relating to a Credit Facility, a Liquidity Facility, an Interest Rate Exchange

Agreement or a Remarketing Agreement, costs and expenses in connection with the refunding of Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a remarketing agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or Costs of the Project means when used in relation to a Project the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessarily or appropriately incurred in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, environmental inspections and assessments, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institute shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the Institute or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with the Project (including interest on money borrowed from parties other than the Institute), (viii) interest on the Bonds of a Series, bonds, notes or other obligations of the Authority issued to finance Costs of the Project that accrued prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of the Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project or pursuant to the Resolution or to the Loan Agreement, a Mortgage, a Credit Facility, a Liquidity Facility or a Remarketing Agreement in connection with Option Bonds or Variable Interest Rate Bonds.

Credit Facility means, with respect to a Series of Bonds, an irrevocable letter of credit, surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement pursuant to which the Authority is entitled to obtain money to pay the principal and Sinking Fund Installments of and interest on particular Bonds whether or not the Authority is in default under the Resolution, which is issued or provided by:

- (i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;
- (ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;
- (iii) the Government National Mortgage Association or any successor thereto;
- (iv) the Federal National Mortgage Association or any successor thereto; or
- (v) any other federal agency or instrumentality approved by the Authority.

Any such Credit Facility may also constitute a Liquidity Facility if it also meets the requirements of the definition of a Liquidity Facility contained in the Resolution.

Debt Service Fund means the fund so designated and established for a Series pursuant to the Resolution.

Debt Service Reserve Fund means the fund so designated and established for a Series pursuant to the Resolution.

Debt Service Reserve Fund Requirement means the amount of money required to be deposited in a Debt Service Reserve Fund as determined in accordance with the applicable Series Resolution and means, with respect to the Series 2012 Bonds, as of any particular date of computation, an amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Series 2012 Bonds payable during such year, excluding interest accrued thereon prior to July 1 of the next preceding year, except that if, upon the issuance or at any later time, such amount would require moneys, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series 2012 Bonds, to be deposited therein, the Debt Service Reserve Fund Requirement shall mean an amount equal to the maximum amount permitted under the Code to be deposited therein from the proceeds of such Series 2012 Bonds, as certified by an Authorized Officer of the Authority.

Defeasance Security means:

(i) a Government Obligation of the type described in clause (i), (ii), (iii) or (iv) of the definition of Government Obligation;

(ii) Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation;

(iii) an Exempt Obligation described in clause (i) or (ii) of the definition of Exempt Obligations, provided such Exempt Obligation (a) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (b) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, (x) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (a) above, and (y) as to which the principal of and interest on the Government Obligations which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (a) above, and (c) is rated by at least two Rating Services in the highest rating category for such Exempt Obligation;

provided, however, that for purposes of (i), (ii) and (iii) above, Defeasance Security shall not include any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof and, in the case of Exempt Obligations, any obligation secured by a fund containing any Government Obligation that is subject to redemption prior to maturity other than at the option of the holder thereof; and

(iv) any other investment acceptable to the Rating Service(s) for defeasance.

Deferred Income Bond means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semiannually on July 1 and January 1 of each Bond Year.

Depository means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series.

Event of Default, has the meaning given to such term in the Loan Agreement.

Exempt Obligation means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services;

(ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(iii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Facility Provider means the issuer of any Reserve Fund Facility.

Federal Agency Obligation means:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Government Obligation means:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(iii) an obligation to which the full faith and credit of the United States of America are pledged;

(iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(v) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Institute means The Culinary Institute of America, an education corporation duly organized and existing under the laws of the State, which is an institution for higher education located in the State and authorized to confer degrees by law or by the Board of Regents of the State, or any successor thereto.

Intercreditor Agreement means an agreement by and among, *inter alia*, the Authority, the Trustee, and creditors of the Institute, with respect to (i) the relative priorities of the liens upon any Mortgage or Pledged Revenues or other shared collateral, (ii) limitations or conditions upon their respective rights to enforce, foreclose or realize upon such liens, and (iii) the application of any money realized from the enforcement, foreclosure or other realization upon such liens.

Interest Commencement Date means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semiannually thereafter on July 1 and January 1 of each Bond Year.

Interest Rate Exchange Agreement means (i) an agreement entered into by the Authority or the Institute in connection with the issuance of or which relates to Bonds of a Series which provides that during the term of such agreement the Authority or the Institute is to pay to the counterparty thereto interest accruing at a fixed or variable rate per annum on an amount equal to a principal amount of such Bonds and that such counterparty is to pay to the Authority or the Institute an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds at a fixed or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement or (ii) interest rate cap agreements, interest rate floor agreements, interest rate collar agreements and any other interest rate related hedge agreements or arrangements.

Investment Agreement means a repurchase agreement or other agreement for the investment of money with a Qualified Financial Institution.

Liquidity Facility means, with respect to a Series of Bonds, an irrevocable letter of credit, a surety bond, a loan agreement, a Standby Purchase Agreement, a line of credit or other agreement or arrangement pursuant to which money may be obtained upon the terms and conditions contained therein for the purchase of such Bonds tendered for purchase in accordance with the terms of a Series Resolution authorizing such Bonds or a Bond Series Certificate relating to such Bonds, which is issued or provided by:

(i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a savings and loan association;

(ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;

(iii) the Government National Mortgage Association or any successor thereto;

(iv) the Federal National Mortgage Association or any successor thereto; or

(v) any other federal agency or instrumentality approved by the Authority.

Loan Agreement means, as the context requires, a loan agreement, between the Authority and the Institute in connection with the issuance of a Series of Bonds, as the same from time to time shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by such loan agreement or the loan agreement dated as of September 19, 2012 between the Authority and the Institute relating to the Series 2012 Bonds.

Maximum Annual Debt Service means on any date, when used with respect to the Series 2012 Bonds, the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Series 2012 Bonds payable during such year.

Maximum Interest Rate means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, as the maximum rate at which such Bond may bear interest at any time.

Minimum Interest Rate means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bonds as the minimum rate at which such Bond may bear interest at any time.

Mortgage means, as the context requires, a mortgage, if any, granted by the Institute to the Authority, in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property mortgaged in connection therewith as security for the performance of the Institute's obligations under a Loan Agreement, as such Mortgage may be amended or modified from time to time or the mortgage granted by the Institute to the Authority to secure the Institute's obligations under the Loan Agreement dated as of September 19, 2012 between the Authority and the Institute relating to the Series 2012 Bonds.

Mortgaged Property means, with respect to any Mortgage, the land or interest therein described in such Mortgage, together with the buildings and improvements thereon or hereafter erected thereon and the furnishings and equipment owned by the Institute located thereon or therein as may be specifically identified in such Mortgage.

Option Bond means any Bond of a Series which by its terms may be or is required to be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase by the Authority prior to the stated maturity thereof or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds.

Outstanding, when used in reference to Bonds of a Series, means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under a Series Resolution except:

- (i) any Bond canceled by the Trustee at or before such date;
- (ii) any Bond deemed to have been paid in accordance with Section 12.01 of the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article III, Section 4.06 or Section 10.07 of the Resolution; and
- (iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond.

Parity Indebtedness means, if applicable with respect to a Series of Bonds, have the meaning given such term in the applicable Loan Agreement.

Paying Agent means, with respect to a Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of a Series Resolution, a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligation;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligation;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category;

(iv) bankers' acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are pledged; or

(v) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category.

Permitted Encumbrances means when used in connection with a Project or the Mortgaged Property any of the following:

(i) The lien of taxes and assessments which are not delinquent;

(ii) The lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby the property or the interest of the Authority therein may be in danger of being lost or forfeited;

(iii) Minor defects and irregularities in the title to such property which do not in the aggregate materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

(iv) Easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

(v) Any instrument recorded pursuant to the applicable Section of the Loan Agreement;

(vi) The Mortgage; and

(vii) Such other encumbrances, defects, and irregularities to which the prior written consent of the Authority or the Trustee, as applicable, has been obtained.

Permitted Investments means:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, rated by at least one Rating Service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;
- (vi) commercial paper issued by a domestic corporation rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than two hundred seventy (270) days from the date of purchase;
- (vii) bankers' acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased;
- (viii) Investment Agreements that are fully collateralized by Permitted Collateral; and
- (ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service.

Pledged Revenues, as the context requires, shall have the meaning required by the applicable Series Resolution and given in the applicable Loan Agreement, and the right to receive the same and the proceeds thereof or means an amount equal to the Maximum Annual Debt Service from tuition and fees charged to students for academic instruction, the right to receive the same and the proceeds thereof pledged to secure the Institute's obligations under the Loan Agreement relating to the Series 2012 Bonds.

Prior Pledges means, as the context requires, the lien, pledges, charges, encumbrances and security interests, if any, made and given by the Institute on all or a portion of its Pledged Revenues to secure indebtedness existing at the time of issuance of the applicable Series of Bonds and as permitted as a senior lien on such Pledged Revenues pursuant to the applicable Series Resolution and as may be more specifically defined in the Loan Agreement dated as of September 19, 2012 between the Authority and the Institute relating to the Series 2012 Bonds.

Project means a “dormitory” as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of a Series of Bonds, as more particularly described in the Resolution, in or pursuant to a Series Resolution or in or pursuant to a Bond Series Certificate or, with respect to the Series 2012 Bonds, the Project described in the Loan Agreement relating to the Series 2012 Bonds.

Provider Payments means the amount, certified by a Provider to the Trustee, payable to such Provider by the Institute on account of amounts advanced by it under a Credit Facility or a Liquidity Facility, including interest on amounts advanced and fees and charges with respect thereto.

Qualified Financial Institution means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any money held under the Resolution purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means each of Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Fitch, Inc., in each case, which has assigned a rating to Outstanding Bonds of the applicable Series at the request of the Authority, or their respective successors and assigns,

Record Date means, unless a Series Resolution authorizing Variable Interest Rate Bonds or Option Bonds or a Bond Series Certificate relating thereto provides otherwise with respect to such Variable Rate Bonds or Option Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Redemption Price, when used with respect to a Bond of a Series, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant to the Resolution or to the applicable Series Resolution or Bond Series Certificate.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

Related Agreements means each Remarketing Agreement, Interest Rate Exchange Agreement, Intercreditor Agreement or agreement entered into in connection with a Reserve Fund Facility, Liquidity Facility or Credit Facility, to which the Institute is a party.

Remarketing Agent means the person appointed by or pursuant to a Series Resolution authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Bond Series Certificate relating to such Option Bonds.

Remarketing Agreement means, with respect to Option Bonds of a Series, an agreement either between the Authority and the Remarketing Agent, or among the Authority, the Institute and the Remarketing Agent, relating to the remarketing of such Bonds.

Reserve Fund Facility means a surety bond, insurance policy or letter of credit which constitutes any part of a Debt Service Reserve Fund Requirement authorized to be delivered to the Trustee pursuant to the Resolution.

Resolution means "The Culinary Institute of America Revenue Bond Resolution, adopted by the Authority September 19, 2012", as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

Restricted Gift means, when used in connection with the Project, any gift, grant or bequest of money or other property made or given by any person the use of which has been restricted by such person to paying any cost or expense that constitutes a Cost of the Project.

Revenues means, (i) all payments received or receivable by the Authority that pursuant to the Loan Agreement entered into in connection with such Series of Bonds are required to be paid to the Trustee, other than payments to the Trustee for (A) the administrative costs and expenses or fees of the Trustee, (B) deposit to the Arbitrage Rebate Fund, or (C) deposit to any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price of Option Bonds tendered or deemed to have been tendered for purchase, and (D) deposit to any fund or account established by or pursuant to such Series Resolution for repayment of advances made by a Liquidity Facility Provider for payment of the purchase price of Option Bonds; and (ii) all amounts received as a consequence of the enforcement of a Loan Agreement, including but not limited to amounts derived from the foreclosure or sale of or other realization upon any Pledged Revenues or Mortgage.

Serial Bonds means the Bonds so designated in a Series Resolution or a Bond Series Certificate.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and to the Series Resolution authorizing such Bonds as a separate Series of Bonds or a Bond Series Certificate, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, if any, or other provisions.

Series Resolution means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

Series 2012 Bonds means the Bonds authorized by Article II of the Series 2012 Resolution.

Series 2012 Resolution means the Series 2012 Resolution Authorizing The Culinary Institute of America Revenue Bonds, Series 2012, adopted by the Authority on September 19, 2012.

Sinking Fund Installment means, with respect to a Series of Bonds, as of any date of calculation:

(i) when used with respect to any Bonds of such Series, other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto to be paid on a single future July 1 for the retirement of any Outstanding Bonds of said Series which mature after said future July 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future July 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment; and

(ii) when used with respect to Option Bonds or Variable Interest Rate Bonds of a Series, so long as such Bonds are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Interest Rate Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment.

Standby Purchase Agreement means, with respect to a Series of Bonds, an agreement pursuant to which a person is obligated to purchase an Option Bond or a Variable Interest Rate Bond tendered for purchase.

State means the State of New York.

Sub-Series means the grouping of the Bonds of a Series established by the Authority pursuant to the Series Resolution authorizing the issuance of the Bonds of such Series or the Bond Series Certificate related to such Series of Bonds.

Supplemental Resolution means any resolution of the Authority amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the Resolution.

Tax Certificate means the certificate of the Authority (or an agreement to which the Authority is a party), including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Bonds in which the Authority makes representations and agreements as to arbitrage and compliance with the provisions of Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, or any similar certificate, agreement or other instrument made, executed and delivered in lieu of said certificate, in each case as the same may be amended or supplemented.

Term Bonds means, with respect to a Series of Bonds, the Bonds so designated in a Series Resolution or a Bond Series Certificate and payable from Sinking Fund Installments.

Trustee means the bank or trust company appointed as Trustee for a Series of Bonds pursuant to a Series Resolution or Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for in the Resolution with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

Valuation Date means (i) with respect to any Capital Appreciation Bond, each date set forth in the Series Resolution authorizing such Capital Appreciation Bond or in the Bond Series Certificate relating to such Bond on which a specific Accreted Value is assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date and the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond.

Variable Interest Rate means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds and which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times or (ii) a stated interest rate that may be changed from time to time as provided in such Series Resolution or Bond Series Certificate, **provided, however,** that in each case such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate as provided in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, and that Series Resolution or Bond Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

Variable Interest Rate Bond means any Bond of a Series which bears a Variable Interest Rate; **provided, however,** that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

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**CONSOLIDATED FINANCIAL STATEMENTS OF THE CULINARY
INSTITUTE OF AMERICA WITH REPORT OF INDEPENDENT AUDITORS**

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THE CULINARY INSTITUTE OF AMERICA

Consolidated Financial Statements

May 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

THE CULINARY INSTITUTE OF AMERICA

Consolidated Financial Statements

May 31, 2012 and 2011

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

Board of Trustees
The Culinary Institute of America:

We have audited the accompanying consolidated statements of financial position of The Culinary Institute of America (Institute) as of May 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 The Culinary Institute of America as of May 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 12, 2012

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statements of Financial Position

May 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 6,200,610	3,003,149
Cash held as collateral by swap counterparties (note 7)	5,340,000	900,000
Investments (note 3)	111,388,825	100,659,391
Student accounts receivable, net (note 2)	4,677,443	3,580,531
Other receivables	2,057,258	2,280,293
Inventory	2,398,359	2,289,134
Prepaid expenses and other assets	2,243,478	1,725,094
Contributions receivable, net (note 5)	5,349,572	7,907,200
Long-term loans to students, net (note 2)	2,094,497	2,041,058
Deposits with bond trustees (note 8)	8,872,922	8,312,125
Bond issuance and related costs, net	4,005,428	4,185,540
Land, buildings, and equipment, net (note 6)	189,271,245	189,615,752
Total assets	\$ 343,899,637	326,499,267
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 3,242,369	2,671,219
Deferred revenue	18,413,994	16,490,404
Accrued liabilities	7,301,158	6,402,107
Accrued compensated absences	3,890,642	3,758,069
Annuity and life income obligations	—	610,427
Fair value of derivative instruments (note 7)	14,739,495	7,928,867
Bonds and notes payable (note 7)	94,995,000	98,395,000
U.S. Government grants refundable	1,682,991	1,690,880
Total liabilities	144,265,649	137,946,973
Net assets:		
Unrestricted	145,315,169	142,907,016
Temporarily restricted (note 10)	31,168,055	22,613,615
Permanently restricted (note 10)	23,150,764	23,031,663
Total net assets	199,633,988	188,552,294
Total liabilities and net assets	\$ 343,899,637	326,499,267

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA
Consolidated Statement of Activities
Year ended May 31, 2012
(with summarized information for the year ended May 31, 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating revenues and gains:					
Tuition and fees	\$ 116,211,723	—	—	116,211,723	108,559,959
Less scholarships and awards	(17,264,535)	—	—	(17,264,535)	(19,082,812)
Net tuition	98,947,188	—	—	98,947,188	89,477,147
Contributions for operations (note 5)	4,377,421	338,541	—	4,715,962	3,538,356
Government grants and contracts	849,729	—	—	849,729	989,364
Investment return designated for operations	2,665,216	1,308,425	(888)	3,972,753	3,760,063
Sales and services of educational activities	10,560,909	—	—	10,560,909	10,339,632
Sales and services of auxiliary enterprises	17,862,964	—	—	17,862,964	16,923,677
Other sources	4,537,167	—	—	4,537,167	4,672,343
Net assets released from restrictions	2,744,289	(2,744,289)	—	—	—
Total operating revenues and gains	142,544,883	(1,097,323)	(888)	141,446,672	129,700,582
Operating expenses:					
Instruction	55,680,926	—	—	55,680,926	52,559,859
Academic support	17,975,078	—	—	17,975,078	17,466,842
Student services	12,472,321	—	—	12,472,321	12,395,542
Institutional support	31,056,433	—	—	31,056,433	28,530,388
Auxiliary enterprises	14,153,368	—	—	14,153,368	14,216,633
Total operating expenses	131,338,126	—	—	131,338,126	125,169,264
Increase (decrease) in net assets from operations	11,206,757	(1,097,323)	(888)	10,108,546	4,531,318
Nonoperating activities:					
Contributions for plant and endowment (note 5)	633,767	12,967,678	119,989	13,721,434	12,958,372
Net assets released for plant	2,453,257	(2,453,257)	—	—	—
Investment return, net of amounts designated for current operations	(5,642,553)	(862,658)	—	(6,505,211)	7,595,711
Change in fair value of derivative instruments (note 7)	(6,810,626)	—	—	(6,810,626)	(485,973)
Change in value of gift annuity agreement	567,551	—	—	567,551	—
Cost of debt extinguishment	—	—	—	—	(175,915)
Increase (decrease) in net assets from nonoperating activities	(8,798,604)	9,651,763	119,989	973,148	19,892,195
Increase in net assets	2,408,153	8,554,440	119,101	11,081,694	24,423,513
Net assets at the beginning of the year	142,907,016	22,613,615	23,031,663	188,552,294	164,128,781
Net assets at the end of the year	\$ 145,315,169	31,168,055	23,150,764	199,633,988	188,552,294

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statement of Activities

Year ended May 31, 2011

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues and gains:				
Tuition and fees	\$ 108,559,959	—	—	108,559,959
Less scholarships and awards	(19,082,812)	—	—	(19,082,812)
Net tuition	89,477,147	—	—	89,477,147
Contributions for operations (note 5)	3,301,973	236,383	—	3,538,356
Government grants and contracts	989,364	—	—	989,364
Investment return designated for current operations	2,563,954	1,194,820	1,289	3,760,063
Sales and services of educational activities	10,339,632	—	—	10,339,632
Sales and services of auxiliary enterprises	16,923,677	—	—	16,923,677
Other sources	4,672,343	—	—	4,672,343
Net assets released from restrictions	1,656,524	(1,656,524)	—	—
Total operating revenues and gains	129,924,614	(225,321)	1,289	129,700,582
Operating expenses:				
Instruction	52,559,859	—	—	52,559,859
Academic support	17,466,842	—	—	17,466,842
Student services	12,395,542	—	—	12,395,542
Institutional support	28,530,388	—	—	28,530,388
Auxiliary enterprises	14,216,633	—	—	14,216,633
Total operating expenses	125,169,264	—	—	125,169,264
Increase (decrease) in net assets from operations	4,755,350	(225,321)	1,289	4,531,318
Nonoperating activities:				
Contributions for plant and endowment (note 5)	777,527	12,174,621	6,224	12,958,372
Net assets released for plant	4,363,245	(4,363,245)	—	—
Investment return, net of amounts designated for current operations	5,428,791	2,166,920	—	7,595,711
Change in fair value of derivative instruments (note 7)	(485,973)	—	—	(485,973)
Cost of debt extinguishment	(175,915)	—	—	(175,915)
Increase in net assets from nonoperating activities	9,907,675	9,978,296	6,224	19,892,195
Change in net assets before net asset reclassification of endowment funds for adoption of ASC 958-205	14,663,025	9,752,975	7,513	24,423,513
Net asset reclassification of endowment funds for adoption of ASC 958-205 (note 4)	(259,273)	259,273	—	—
Increase in net assets	14,403,752	10,012,248	7,513	24,423,513
Net assets at the beginning of the year	128,503,264	12,601,367	23,024,150	164,128,781
Net assets at the end of the year	\$ 142,907,016	22,613,615	23,031,663	188,552,294

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statements of Cash Flows

Years ended May 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 11,081,694	24,423,513
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,989,078	7,796,779
Net realized and unrealized losses (gains) on investments and deposits with bond trustees	4,019,286	(10,346,770)
Equipment donations	(423,660)	(442,044)
Change in fair value of derivative instruments	6,810,628	485,973
Contributions restricted for long-term investment	(13,721,434)	(12,958,374)
Change in operating assets and liabilities, that provide (use) cash:		
Student accounts receivable, net	(1,096,912)	(869,737)
Other receivables	223,035	(442,439)
Inventory	(109,225)	106,054
Prepaid expenses and other assets	(518,384)	382,768
Contributions receivable, net	2,557,628	(1,065,991)
Accounts payable, accrued liabilities and compensated absences	1,602,774	680,536
Annuity and life income obligations	(610,427)	(86,001)
Deferred revenue	1,923,590	991,394
Net cash provided by operating activities	19,727,671	8,655,661
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(7,040,799)	(8,787,680)
Increase in long-term loans to students	(53,439)	(69,165)
Proceeds from sales and maturities of investments	20,764,616	12,097,103
Purchases of investments	(35,526,624)	(24,704,222)
Net cash used in investing activities	(21,856,246)	(21,463,964)
Cash flows from financing activities:		
Repayments of principal of indebtedness	(3,400,000)	(3,305,000)
Cash held as collateral by swap counterparties	(4,440,000)	(900,000)
Change in deposits with bond trustees	(547,509)	(522,655)
Net change in U.S. Government grants refundable	(7,889)	32,814
Contributions restricted for long-term investment	13,721,434	12,958,374
Net cash provided by financing activities	5,326,036	8,263,533
Increase (decrease) in cash and cash equivalents	3,197,461	(4,544,770)
Cash and cash equivalents at beginning of year	3,003,149	7,547,919
Cash and cash equivalents at end of year	\$ 6,200,610	3,003,149
Supplemental data:		
Interest paid	\$ 3,215,704	3,481,020
Gifts-in-kind	1,580,717	1,149,568

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

(1) The Institute

The Culinary Institute of America (Institute) has been a leader in culinary education since 1946. The Institute has three domestic campuses, located on the East and West coasts of the United States of America in Hyde Park, NY and St. Helena, CA (Greystone), respectively, as well as a campus in San Antonio, TX. The Institute also has an international campus located in Singapore that is operated through The Culinary Institute of America Singapore, Ltd., a wholly owned subsidiary of the Institute.

At its Hyde Park campus, the Institute offers associate's degrees, in either culinary arts or baking and pastry arts, and bachelor's degrees in culinary arts management, or baking and pastry arts management. At its Greystone campus, the Institute offers either culinary arts or baking and pastry associate's degrees. At its San Antonio campus, the Institute offers an associate in applied science (AAS) degree in culinary arts. At both the Greystone and San Antonio campuses, credit bearing certificate programs are also offered. In addition, the Institute offers continuing education programs at all of its campuses. At the Singapore campus, the Institute has a collaboration agreement with the Singapore Institute of Technology for the culinary education of undergraduate degree students. In addition, the Institute operates nine public restaurants, five at the Hyde Park campus, two at the Greystone campus, and two at the San Antonio campus.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Institute's consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence, or absence of donor-imposed restrictions. The net assets of the Institute are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the board of trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that expire by the passage of time or can be fulfilled by actions pursuant to the stipulations.

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

The Institute 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Institute's policy to record temporarily restricted contributions received and expended in the same accounting period as unrestricted.

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

Nonoperating activities include contributions to be used for facilities and equipment, or contributions for the endowment fund. Nonoperating activities also includes investment return net of amounts designated for current operations (see note 3), as well as gains or losses resulting from nonrecurring financing activities.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Culinary Institute of America and its majority owned subsidiaries (collectively, the Institute). All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

The Institute considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless they are part of long-term investment funds. Cash and cash equivalents include money market accounts with an initial term of three months or less.

(d) Revenue Recognition and Receivables

Students are billed prior to the start of each semester. The related net revenue is deferred and recognized when the educational services are rendered. The Institute extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Student accounts receivable do not bear interest, but long-term loans to students bear interest at rates averaging 5%.

The receivables are recorded at their current unpaid principal balance and associated interest income, if applicable, is accrued based on the principal amount outstanding and applicable interest rates. Allowances for doubtful accounts are recorded representing the amounts that, in the opinion of management of the Institute, are necessary to account for probable losses related to the receivables. These allowances are determined based upon numerous considerations, including economic conditions, the specific composition of the receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowances for doubtful accounts are adjusted accordingly, with a corresponding adjustment to the provision for allowance for doubtful accounts.

Reserves have been provided for accounts receivable estimated to be uncollectible at May 31, 2012 and 2011 of \$2,352,403 and \$2,156,000, respectively.

Reserves have been provided for long-term loans to students estimated to be uncollectible at May 31, 2012 and 2011 of \$369,372 and \$315,748, respectively.

Contributions, including unconditional pledges, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional pledges, net of an allowance for uncollectible amounts, are reported at their estimated net present values, and are classified as either permanently restricted or temporarily restricted. The allowance for uncollectible contributions is estimated based upon management's judgment and includes factors such as prior collection history.

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

Reserves have been provided for contributions receivable estimated to be uncollectible at May 31, 2012 and 2011 of \$393,089 and \$570,939, respectively.

(e) Investments

Investments are recorded at fair value. The Institute reports the fair value of publicly traded equity, debt and other securities, such as mutual funds, based on quoted market prices or the share values reported by the funds as of the last business day of the fiscal year. Nonmarketable securities include shares or units in alternative investment funds such as private equity and limited partnerships, which are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had a ready market existed.

The Institute utilizes the net asset value (NAV) reported by each of the alternative investment funds as a practical expedient for determining the fair value of the investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Institute's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Institute's interest in the funds.

Investment return includes interest and dividends, realized gains and losses, and the change in unrealized appreciation (depreciation) on the associated investments. The average cost of investment securities sold is used to determine the basis for computing realized gains or losses, and the Institute accounts for investment sales and purchases on a trade date basis.

(f) Inventory

Inventory primarily represents restaurant operating supplies and food and beverage and are stated at the lower of cost, determined principally on the weighted average cost method, or market.

(g) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or, in the case of gifts, at appraised value at date of the gift.

Interest costs incurred during construction are capitalized, net of interest earned on construction funds. There was no capitalized interest during fiscal year ended May 31, 2012.

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

Depreciation is recorded using the straight-line method with estimated useful lives used in the calculation of depreciation by major category of assets are as follows:

Buildings and building improvements	50 years
Furniture and equipment	7 years
Computer equipment	5 years

In June 2011, the Institute entered into a long-term ground lease with a component of the Collegiate Housing Foundation (CHF), a national not-for-profit organization, for the construction of three separate townhouses to be utilized for a 161-bed student housing facility. Pursuant to this 40-year agreement, the development, construction and financing of the facility is the exclusive responsibility of the CHF-CIA, LLC, the component of CHF. The facility is owned by CHF-CIA, LLC, a separate 501(c)(3) entity, and financed through tax-exempt bonds issued by the Dutchess County Local Development Corporation. The Institute does not pay nor is it responsible for the debt. When the financing is paid in full, the ownership interest in the facility may be conveyed to the Institute. Accordingly, the assets, related long-term debt and associated results of operations of CHF-CIA, LLC have been properly excluded from the Institute's consolidated financial statements.

(h) Bond Issuance Costs

Costs incurred for issuance of bonds are capitalized and amortized over the life of the related debt.

(i) Derivative Instruments and Hedging Activities

Derivative instruments are recognized in the consolidated financial statements and measured at fair value regardless of the purpose or intent for holding them. The Institute currently only has interest rate swaps that are being adjusted to fair value, based upon information provided by financial institutions, through net assets.

(j) Taxation

The Institute has a tax determination letter dated February 22, 1973, from the Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. The Institute believes it has taken no significant uncertain tax positions.

(k) Program Services

Program services include expenses for Instruction, Academic support, Student services, and Auxiliary enterprises. Total program service expenses for the years ended May 31, 2012 and 2011 were \$100,281,693 and \$96,638,876, respectively.

(l) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

The Institute recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. The Institute has identified a specific legal obligation related to an environmental remediation matter as a conditional asset retirement obligation. The liability associated with this obligation cannot be reasonably estimated due to the fact that a settlement date cannot be determined. Management does not believe that this item is material to the Institute's consolidated financial statements.

(m) *Risks and Uncertainties*

The Institute may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Major U.S. and foreign equity and fixed income indices have experienced volatility and, in some cases, significant declines. Management is monitoring investment market conditions and the impact such decline may have on the Institute's investment portfolio. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(n) *Management Estimates*

The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of land, buildings, and equipment, the valuation of derivative instruments, valuation allowances for receivables, and the valuation of certain investments. Actual results could differ from those estimates.

(o) *Fair Value*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, investments, student accounts receivable, other receivables, deposits with trustees, accounts payable – The carrying amounts approximate fair value because of the short-term maturity of these instruments or they have been otherwise recorded at their estimated fair value.

Long-term loans to students – Determination of the fair value cannot be made as these notes are comprised of federally sponsored student loans that bear interest rates and repayment terms, and are subject to significant restrictions on their transfer and disposition.

Bonds and notes payable – The fair value of long-term debt is based on quoted market prices for similar issues. The fair value of the Institute's long-term debt is approximately \$95,385,000 at May 31, 2012.

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

Interest rate swaps – The interest rate swap agreements are recorded at fair value within the accompanying consolidated financial statements based on dealer quotes of the estimated settlement amounts required of the Institute if the agreement was terminated, taking into consideration current interest rates. The interest rate swaps are categorized as Level 2 in the fair value hierarchy.

(3) Investments

The investment objective of the Institute is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The Institute's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to domestic and international equities, fixed income, real estate, and private equity markets. The majority of the Institute's investments are managed in a pooled fund that consists primarily of endowment assets.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. A majority of the investments classified as Level 2 and 3 have been valued using net asset value provided by the fund manager as the practical expedient and the determination of the level within the fair value hierarchy is based upon the ability to liquidate at or near the balance sheet date.

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

The Institute's investments of May 31, 2012 are summarized in the following table by their fair value hierarchy classification:

	<u>May 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Investments:						
Time deposits and short-term funds	\$ 182,111	182,111	—	—	Daily	1 – 3
Equity securities:						
Large cap equity	15,477,378	5,179,102	10,298,276	—	Daily-Monthly	1 – 30
Small/Mid cap equity	6,500,589	5,243,131	1,257,458	—	Daily	1 – 3
International equity	2,583,719	—	2,583,719	—	Daily-Quarterly	1 – 90
Commingled equity and debt funds	36,575,825	36,488,728	87,097	—	Daily	1 – 3
U.S. government debt securities	14,197,408	14,197,408	—	—	Daily	1 – 3
Corporate debt securities	11,513,093	11,513,093	—	—	Daily	1 – 3
Mortgage backed securities	601,494	601,494	—	—	Daily	1 – 3
Private equity and limited partnerships	22,657,208	—	12,643,038	10,014,170	Quarterly-NA	90 – NA
Land and other	1,100,000	—	1,100,000	—	NA	NA
Total investments	\$ <u>111,388,825</u>	<u>73,405,067</u>	<u>27,969,588</u>	<u>10,014,170</u>		

The Institute's investments of May 31, 2011 are summarized in the following table by their fair value hierarchy classification:

	<u>May 31, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Investments:						
Time deposits and short-term funds	\$ 10,259,443	10,259,443	—	—	Daily	1 – 3
Equity securities:						
Large cap equity	16,256,777	5,178,623	11,078,154	—	Daily-Monthly	1 – 30
Small/Mid cap equity	7,107,701	5,543,845	1,563,856	—	Daily	1 – 3
International equity	9,720,076	—	9,720,076	—	Daily-Quarterly	1 – 90
Commingled equity and debt funds	19,563,680	19,476,943	86,737	—	Daily	1 – 3
U.S. government debt securities	2,104,304	2,104,304	—	—	Daily	1 – 3
Corporate debt securities	7,159,112	7,159,112	—	—	Daily	1 – 3
Mortgage backed securities	822,910	822,910	—	—	Daily	1 – 3
Private equity and limited partnerships	26,565,388	—	16,874,526	9,690,862	Quarterly-NA	90 – NA
Land and other	1,100,000	—	1,100,000	—	NA	NA
Total investments	\$ <u>100,659,391</u>	<u>50,545,180</u>	<u>40,423,349</u>	<u>9,690,862</u>		

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

The following table presents the Institute's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended May 31, 2012 and 2011:

	Private equity and limited partnerships	
	2012	2011
Beginning of year balance	\$ 9,690,862	4,502,115
Transfer in	—	4,071,511
Purchases	575,000	600,000
Total realized and unrealized gains	129,810	517,236
Sales and settlements	(381,502)	—
End of year balance	<u>\$ 10,014,170</u>	<u>9,690,862</u>

There were no transfers between Level 1 and Level 2 investments during the fiscal year ended May 31, 2012. Additionally, there were no transfers between Level 2 and Level 3 investments during the fiscal years ended May 31, 2012.

The following schedule summarizes the investment return and its classification in the accompanying consolidated statements of activities:

	2012	2011
Interest income and dividends	\$ 1,593,230	1,229,645
Net realized and unrealized gains and (losses)	(3,954,866)	10,301,649
Directly paid managed investment fees	(170,822)	(175,520)
Total return on investments	(2,532,458)	11,355,774
Investment return designated for current operations	(3,972,753)	(3,760,063)
Investment return, net of amounts designated for current operations	<u>\$ (6,505,211)</u>	<u>7,595,711</u>

Liquidity

The investments fair value as of May 31, 2012 are summarized below by redemption period:

Investments redemption period:	
Daily	\$ 78,284,228
Monthly	9,260,292
Quarterly	12,239,482
Semi-annual	3,776,963
Lock up until liquidated	7,827,860
Total	<u>\$ 111,388,825</u>

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2012 and 2011

The limitations and restrictions on the Institute's ability to redeem or sell Level 3 investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain limited partnership and hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests. Based upon the terms and conditions in effect at May 31, 2012, the expirations of redemption lock-up periods are summarized in the table below:

Fiscal year:	
2013	\$ 3,776,963
2017 and thereafter	<u>6,237,207</u>
Total	<u>\$ 10,014,170</u>

Under the terms of certain limited partnership agreements, the Institute is obligated periodically to advance additional funding for certain funds that the Institute is invested in. At May 31, 2012, the Institute had capital commitments of \$2,188,000 for which calls had not been exercised. Such commitments generally have fixed expiration dates or other termination dates. The Institute maintains sufficient liquidity in its investment portfolio to cover such commitments.

(4) Endowment Funds

The Institute's endowment consists of funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the Institute to function as endowments (Board designated).

(a) Return Objectives and Risk Parameters

The Institute 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 Institute must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objective of the management of the endowment fund is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees, and administrative costs. Consistent with this goal, the Board of Trustees and the Investment Committee intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk, and reduce portfolio risk through asset allocation and diversification.

(b) Strategies Employed for Achieving Objects

To satisfy its long-term rate-of-return objectives, the Institute 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 Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power, and risk tolerance.

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The Institute targets a diversified asset allocation that places emphasis on investments in domestic and international equities, fixed income, private equity, and hedge funds strategies to achieve its long-term return objectives within prudent risk constraints. The Investment Committee reviews the policy portfolio asset allocation, exposures, and risk profile on an ongoing basis.

(c) Spending Policy

The Institute has a policy of appropriating for distribution each year a percentage of its endowment fund based on the fund's average fair value over the prior 12 quarters. The spending rate was 5.0% for both the years ended May 31, 2012 and 2011. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow at an average of 2.0% real growth plus the rate of inflation (as measured by the Consumer Price Index). This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held as well as to provide additional growth through new gifts and investment return.

In establishing these policies, the Institute considered the expected return on its endowment and its programming needs. Accordingly, the Institute expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of revenue to the annual operating budget. Additional real growth will be provided through new gifts, any excess investment return, or additions by the Board of Trustees.

The following is a summary of the Institute's endowment net asset composition by type of fund as of May 31, 2012 and 2011:

		2012			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$	(3,107,654)	19,276,714	23,088,797	39,257,857
Board designated (quasi)		60,897,250	—	—	60,897,250
	\$	57,789,596	19,276,714	23,088,797	100,155,107

		2011			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$	(2,004,481)	11,186,689	22,811,552	31,993,760
Board designated (quasi)		61,099,541	—	—	61,099,541
	\$	59,095,060	11,186,689	22,811,552	93,093,301

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During fiscal year 2012, the Institute's management determined that certain endowment balances comprising its permanently restricted fund, as of May 31, 2012, had market values less than their historical corpus values. Aggregate shortfalls amounted to \$(3,107,654) and are accounted for in the unrestricted fund. Permanent endowment corpuses are separately maintained in the Permanent Fund. Endowment earnings shortfalls are covered by investments held in unrestricted net assets.

The reconciliation of permanently restricted endowment net assets to permanently restricted net assets at May 31, 2012 and 2011 is as follows:

	2012	2011
Permanent endowment investment balance	\$ 23,088,797	22,811,552
Permanent endowment pledge receivable	61,967	220,111
Permanently restricted net assets	\$ 23,150,764	23,031,663

The following is a summary of the components of the return of the endowment pool and changes in endowment net assets for the years ended May 31, 2012 and 2011:

	2012			2011		
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Permanently restricted
Endowment net assets, beginning of year	\$ 59,095,060	11,186,689	22,811,552	48,490,741	1,791,266	22,620,863
Dividends and interest	990,104	454,712	—	844,586	325,141	1,289
Net realized and unrealized gains/losses	(2,409,976)	(1,103,994)	(888)	8,013,074	3,059,500	—
Contributions and Pledge payments	1,464,434	9,203,911	278,133	380,119	8,616,840	189,400
Endowment transfer for operations	(244,421)	(1,570,209)	—	(289,719)	(949,799)	—
Funding transfer for endowment shortfalls	(1,105,605)	1,105,605	—	1,915,532	(1,915,532)	—
Net asset reclassification for ASC 958-205	—	—	—	(259,273)	259,273	—
Endowment net assets, end of year	\$ 57,789,596	19,276,714	23,088,797	59,095,060	11,186,689	22,811,552

In September 2010, New York State enacted New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA). The Institute has interpreted NYPMIFA as allowing the Institute to spend or accumulate the amount of an endowment fund that the Institute determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The Institute has not changed the way permanently restricted net assets are classified as a result of this interpretation and classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable

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donors' gift instruments at the times the accumulations are added to the funds. Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities*, requires the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until those amounts are appropriated for spending by the Institute's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Institute and the endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of an endowment fund, giving due consideration to the effect that such alternatives may have on the Institute
- The investment policies of the Institute

As a result of the adoption of ASC 958-205 the Institute reclassified \$259,273 during fiscal year ended May 31, 2011 from unrestricted net assets to temporarily restricted net assets.

(5) Contributions and Contributions Receivable

At May 31, 2012 and 2011, contributions receivable estimated to be collected are as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 2,500,851	2,570,328
One to five years	2,049,477	4,902,874
Thereafter	<u>2,415,574</u>	<u>2,446,576</u>
	6,965,902	9,919,778
Less present value discount (5%)	(1,223,241)	(1,441,639)
Less allowance for doubtful receivables	<u>(393,089)</u>	<u>(570,939)</u>
Total	<u><u>5,349,572</u></u>	<u><u>7,907,200</u></u>

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Net contributions include gifts which support both operating and nonoperating activities of the Institute. Operating and nonoperating contributions are comprised of the following:

	<u>2012</u>	<u>2011</u>
Pledge revenue	\$ 2,856,423	5,025,000
Cash and other gift revenue	13,701,534	11,610,804
Gifts-in-kind	<u>1,580,717</u>	<u>1,149,568</u>
Gross contributions	<u>18,138,674</u>	<u>17,785,372</u>
Receivable write-offs and net change in allowance for doubtful receivables	80,324	(427,959)
Net change in present value adjustment	<u>218,398</u>	<u>(860,684)</u>
Net contributions	<u>\$ 18,437,396</u>	<u>16,496,729</u>

For the years ended May 31, 2012 and 2011, the Institute's fundraising expense amounted to \$2,334,772 and \$2,336,810, respectively. These amounts do not include expenses incurred for fundraising events which amounted to \$765,039 and \$682,554, respectively.

(6) Land, Buildings, and Equipment

Land, buildings, and equipment as of May 31 consists of:

	<u>2012</u>	<u>2011</u>
Land	\$ 7,373,865	7,373,865
Buildings and building improvements	226,051,963	222,676,116
Furniture and equipment	59,815,282	56,792,505
Construction-in-progress	<u>3,536,987</u>	<u>2,471,152</u>
	296,778,097	289,313,638
Less accumulated depreciation	<u>(107,506,852)</u>	<u>(99,697,886)</u>
Total	<u>\$ 189,271,245</u>	<u>189,615,752</u>

Depreciation of buildings and building improvements, and furniture and equipment was \$7,808,966 and \$7,616,665 for the fiscal years ended May 31, 2012 and 2011, respectively.

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(7) Bonds Payable

Bonds payable are comprised of the following at May 31, 2012 and 2011:

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Original issue</u>	<u>Outstanding at May 31, 2012</u>	<u>Outstanding at May 31, 2011</u>
Dormitory Authority of the State of New York:					
Revenue Bonds					
Series 1999 (a)	7/1/28	4.0%-5.375%	\$ 20,275,000	12,970,000	13,725,000
Revenue Bonds					
Series 2004A (b)	7/1/27	2.0%-4.0%	9,760,000	7,405,000	7,720,000
Series 2004B (b)	7/1/16	2.5%-4.0%	9,720,000	4,495,000	5,305,000
Series 2004C (b)	7/1/33	Variable	23,725,000	23,725,000	23,725,000
Revenue Bonds					
Series 2004D (c)	7/1/34	Variable	19,000,000	16,500,000	16,950,000
Revenue Bonds					
Series 2006 (d)	7/1/36	Variable	15,125,000	13,725,000	14,025,000
California Statewide Communities Development Authority					
Revenue Bonds Series 2008 (e)	10/1/38	Variable	18,200,000	<u>16,175,000</u>	<u>16,945,000</u>
				<u>\$ 94,995,000</u>	<u>98,395,000</u>

- (a) The Series 1999 Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage and security interests in certain fixtures, furnishings, and equipment located therein.
- (b) The Series 2004A, Series 2004B and Series 2004C Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the new student townhouses and security interests in certain fixtures, furnishings and equipment located therein.

For the Series 2004C Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2004C Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate of interest (3.359%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was \$23,725,000 and decreases consistent with the scheduled principal payments on the associated Series 2004C Bonds. The swap agreement matures on July 1, 2033. The fair value of the interest rate swap is \$5,566,944 at May 31, 2012.

During fiscal year 2008, the Institute completed a reoffering of the Series 2004C Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD

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Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit will expire in May of 2015.

- (c) The Series 2004D Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the new Admissions Building and Anton Parking Plaza and security interests in certain fixtures, furnishings and equipment located therein. For the Series 2004D Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2004D Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.597%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was \$14,000,000 and decreases consistent with the scheduled principal payments on the associated Series 2004D Bonds. The swap agreement matures on July 1, 2034. The fair value of the interest swap is \$3,872,790 at May 31, 2012.

During fiscal year 2008, the Institute completed a reoffering of the Series 2004D Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit will expire in May of 2015.

- (d) The Series 2006 Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the new townhouses and security interests in certain fixtures, furnishings, and equipment located therein. For the Series 2006 Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2006 Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.678%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was \$15,125,000 and decreases consistent with the scheduled principal payments on the associated Series 2006 Bonds. The swap agreement matures on July 1, 2036. The fair value of the interest rate swap is \$3,830,379 at May 31, 2012.

During fiscal year 2008, the Institute completed a reoffering of the Series 2006 Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit is renewed annually with a current maturity date of May 31, 2015. The fair value of the interest rate swap is \$3,830,379 at May 31, 2012.

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- (e) The Series 2008 Bonds were issued to (1) finance the renovation and equipping of the student residential property and the campus store located at Greystone and (2) refund in full the previously issued California Statewide Communities Development Authority (Series 2005 Bonds).

The are secured by pledged tuition revenues (as defined in the loan agreement) subject to the prior DASNY pledges and a first lien mortgage on the Greystone campus. In connection with the issuance of the Series 2005 Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2005 Bonds and subsequently, the refunding portion of the Series 2008 Bonds from a floating to fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.23%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was \$14,150,000 and decreases consistent with the scheduled principal payments on the associated Series 2005 Bonds which were refunded by the Series 2008 Bonds. The fair value of the interest rate swap is \$1,469,382 at May 31, 2012.

During fiscal year ended May 31, 2011, the Institute completed a remarketing of the Series 2008 Bonds which converted the Bonds from variable rate bonds secured by a bank letter of credit to variable rate bank qualified private placement bonds. The converted Series 2008 Bonds were purchased by TD Bank, NA and are subject to a Continuing Covenants Agreement dated October 29, 2010 between the Institute and the aforementioned bank. The purchase period is for ten years expiring in 2020. The 2005 interest rate swap agreement continues to hedge a portion of the converted Series 2008 Bonds, as the swap was assumed by TD Bank, NA and the rate was modified to 3.28%. The Institute was in compliance with its debt covenants as of May 31, 2012.

Scheduled maturities of bonds payable are summarized as follows:

Year ending May 31:	
2013	\$ 3,545,000
2014	3,665,000
2015	3,805,000
2016	3,975,000
2017	4,125,000
Thereafter through 2039	<u>75,880,000</u>
	<u>\$ 94,995,000</u>

Total interest expense for the years ended May 31, 2012 and 2011, was \$3,368,109 and \$3,614,856, respectively.

The fair values of the interest rate swaps are included on the accompanying consolidated statements of financial position and the change in the fair values is reported as appreciation or depreciation in fair value of derivative instruments within the statements of activities. The counterparties to these arrangements are major financial institutions with which the Institute also has other financial relationships. The Institute is exposed to credit loss in the event of nonperformance by the counterparties. However, the Institute does not anticipate nonperformance by the counterparties.

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Further, in accordance with collateral requirements set forth in the swap agreements, the Institute deposited \$5,340,000 and \$900,000 with the counterparties at May 31, 2012 and 2011 respectively.

Credit Facility

The Institute has two unsecured lines of credit totaling \$6.0 million. At May 31, 2012 and 2011, there were no outstanding borrowings under this line. The interest rate fluctuates from time to time based on changes in the LIBOR interest rates.

(8) Deposits with Bond Trustees

Funds on deposit with bond trustees, primarily representing investments in U.S. Treasury obligations at fair value, relate to the Series 1999, Series 2004, Series 2004D, Series 2006, and Series 2008, Bonds as follows:

	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Project Fund</u>	<u>Arbitrage Fund</u>	<u>Total</u>
Series 1999	\$ 1,001,315	1,459,950	—	15,570	2,476,835
Series 2004	1,275,946	2,478,037	—	—	3,753,983
Series 2004D	441,962	1,060,711	—	—	1,502,673
Series 2006	309,134	806,573	—	—	1,115,707
Series 2008	—	—	23,724	—	23,724
2012 Total	<u>\$ 3,028,357</u>	<u>5,805,271</u>	<u>23,724</u>	<u>15,570</u>	<u>8,872,922</u>
2011 Total	\$ 2,937,079	5,335,815	23,723	15,508	8,312,125

The amount in the debt service fund is for the anticipated principle and bond interest payments due July 1, 2012.

At May 31, 2012, the Institute is required to maintain Debt Service Reserve Funds of an aggregate minimum in the amount of \$5,708,542 which are available to cover any deficits in the Debt Service Fund.

(9) Retirement Plan

All employees of the Institute who have been employed by the Institute for at least one year and work in excess of 1,000 hours annually are eligible to participate in the Institute's Retirement Defined Contribution Plan with the Teacher's Insurance and Annuity Association, College Retirement Equities Fund (TIAA/CREF). Under this plan, the Institute makes annual contributions which are immediately vested for the benefit of the participants. For the years ended May 31, 2012 and 2011, the expense amounted to \$3,279,193 and \$3,264,222, respectively.

The Institute also has a Supplemental Tax Deferred Annuity Plan with TIAA/CREF for employees who want to make additional retirement contributions. There is no pension expense to the Institute for this plan.

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(10) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	<u>2012</u>	<u>2011</u>
Gifts for operations	\$ 682,650	1,671,626
Gifts for scholarships	910,700	1,087,845
Gifts for campaign for excellence	3,045,463	2,878,705
Gifts for plant	7,252,528	5,788,750
Term endowment	19,276,714	11,186,689
Total	<u>\$ 31,168,055</u>	<u>22,613,615</u>

Temporarily restricted net assets included contributions receivable of \$5,287,607 and \$7,687,086 at May 31, 2012 and 2011, respectively.

Permanently restricted net assets consist entirely of endowment corpus and pledges, with donor stipulations that they be invested in perpetuity for the following purposes:

	<u>2012</u>	<u>2011</u>
Student scholarships	\$ 8,902,049	8,785,357
Library support	10,111,960	10,109,551
Building maintenance	2,460,355	2,460,355
Operating support	1,676,400	1,676,400
Total	<u>\$ 23,150,764</u>	<u>23,031,663</u>

(11) Commitment

In January 2008 the Institute and Silver Ventures established a campus located in San Antonio, Texas. The campus was constructed and furnished by Silver Ventures. A “bargain sale” lease agreement of \$1 per month has been paid by the Institute since the signing of the original pledge agreement between the Institute and Silver Ventures. In August 2010, the Institute and Silver Ventures signed an amended pledge agreement which included conditional pledge milestone payments totaling \$20 million. The first milestone, for \$8.5 million, was for the San Antonio campus receiving accreditation for a degree program, was reached in April 2011. The second milestone, for \$5 million, was for the campus launch the Latin cuisines certificate program, was received in April 2012. The third milestone, for \$5 million, was for the opening of the NAO New Worlds Flavor restaurant, was received in May 2012. There remains \$1.5 million as a conditional pledge for one last milestone for the San Antonio campus.

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(12) Subsequent Events

The Institute considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on September 12, 2012 and subsequent events have been evaluated through that date.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. The headings below are not part of the Loan Agreement but have been added for ease of reference. Defined terms used herein shall have the meaning ascribed to them in Appendix A.

Construction of the Project

The Institute agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution, the Series 2012 Resolution and the Loan Agreement, the Institute shall complete the acquisition, design, construction, reconstruction, rehabilitation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to such Project. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institute to be reimbursed for, or pay, any costs and expenses incurred by the Institute which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of the Project

The Institute, with the prior written consent of the Authority, which consent will not be unreasonably withheld, may amend the Project to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake. After the date of the Loan Agreement, the Institute shall not enter into, amend or modify, by change order or otherwise, any Contract Document that materially affects the scope or nature of the Project, without the prior written approval of the Authority, which approval shall not be unreasonably withheld. The Institute shall deliver to the Authority copies of such change orders as the Authority may from time to time request. The Institute shall provide such moneys as in the reasonable judgment of the Authority may be required for the cost of completing the Project in excess of the moneys in the Construction Fund established for such Project, whether such moneys are required as a result of an increase in the scope of the Project or otherwise. Such moneys shall be paid to the Trustee for deposit in the Construction Fund within fifteen (15) days after receipt by the Institute of written notice from the Authority that such moneys are required.

(Section 6)

Financial Obligations

(a) Except to the extent that moneys are available therefor under the Resolution or the Series 2012 Resolution or the Loan Agreement, including moneys in the Debt Service Fund, and interest accrued but unpaid on investments held in the Debt Service Fund, but excluding moneys in the Debt Service Reserve Fund, the Institute unconditionally agrees to pay or cause to be paid, so long as Series 2012 Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(i) On or before the date of delivery of the Series 2012 Bonds the Authority Fee agreed to by the Authority and the Institute in connection with issuance of the Series 2012 Bonds;

(ii) On or before the date of delivery of Series 2012 Bonds, such amount, if any, as is required, in addition to the proceeds of such Series 2012 Bonds available therefor, to pay the Costs of Issuance of the Series 2012 Bonds, and other costs in connection with the issuance of the Series 2012 Bonds;

(iii) RESERVED;

(iv) On the tenth (10th) day of each month commencing on the tenth (10th) day of the sixth (6th) month immediately preceding the date on which interest on Outstanding Series 2012 Bonds becomes due, one-sixth (1/6) of the interest coming due on such Series 2012 Bonds on the immediately succeeding interest payment date on such Series 2012 Bonds; provided, however, that, if with respect to such Outstanding Series 2012 Bonds there are more or less than six (6) such payment dates prior to the first interest payment on such Series 2012 Bonds, on each payment date prior to such interest payment date the Institute shall pay with respect to such Series 2012 Bonds an amount equal to the interest coming due on such Series 2012 Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on such Series 2012 Bonds;

(v) On the tenth (10th) day of each month commencing on the tenth (10th) day of the July immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Outstanding Series 2012 Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installment on such Series 2012 Bonds coming due on such July 1; provided, however, that, if with respect to the Outstanding Series 2012 Bonds there are less than twelve (12) such payment dates prior to the July 1 on which principal or Sinking Fund Installments come due on such Series 2012 Bonds, on each payment date prior to such July 1 the Institute shall pay with respect to such Series 2012 Bonds an amount equal to the principal and Sinking Fund Installments of such Series 2012 Bonds coming due on such July 1 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such July 1;

(vi) RESERVED;

(vii) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Series 2012 Bonds previously called for redemption or contracted to be purchased, other than Series 2012 Bonds being redeemed pursuant to Sinking Fund Installments in accordance with the Loan Agreement, is to be paid, the amount required to pay the Redemption Price or purchase price of such Series 2012 Bonds;

(viii) On December 10 of each Bond Year one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with the Series 2012 Bonds, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year;

(ix) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (A) for the Authority Fee then unpaid, (B) to reimburse the Authority for payments made by it pursuant to the provisions of the Loan Agreement summarized in paragraph (e) below and any expenses or liabilities incurred by the Authority pursuant to provisions of the Loan Agreement summarized under the headings “**Covenant as to Insurance**” and “**Taxes and Assessments**” below and other provisions of the Loan Agreement related to indemnity by the Institute, (C) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Series 2012 Bonds or the financing or construction of the Project, including but not limited to any fees or other amounts payable by the Authority under a Remarketing Agreement, a Liquidity Facility or a Credit Facility, (D) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institute of all the provisions of the Loan Agreement or of the Mortgage or of the Resolution in accordance with the terms thereof, (E) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution, (F) to restore the Debt Service Reserve Fund with respect to the Series 2012 Bonds to the Debt Service Reserve Fund Requirement, and (G) to pay any Provider Payments then due and unpaid;

(x) Promptly upon demand by the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institute as a result of an acceleration pursuant

to the provisions of the Loan Agreement summarized under the heading “**Defaults and Remedies**” below;

(xi) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Series 2012 Bonds or otherwise available therefor under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Series 2012 Bonds; and

(xii) RESERVED; and

(xiii) To the extent not otherwise set forth in the Loan Agreement, including without limitation, in the event of any insufficiency, any amounts necessary to pay the principal, Sinking Fund Installment, or Redemption Price, if any, of, and interest on, the Series 2012 Bonds, on the dates, in the amounts, at the times and in the manner provided in or pursuant to the Resolution and the Series 2012 Resolution, whether at maturity, upon acceleration, redemption or otherwise.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institute shall receive a credit against the amount required to be paid by the Institute during a Bond Year pursuant to the provisions of the Loan Agreement summarized in paragraph (a)(v) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Series 2012 Bonds to be redeemed through any Sinking Fund Installments during the next succeeding Bond Year, either (i) the Institute delivers to the Trustee for cancellation one or more Series 2012 Bonds of the maturity to be so redeemed or (ii) the Trustee, at the direction of the Authority, has purchased one or more Series 2012 Bonds maturity to be so redeemed from amounts on deposit in the Debt Service Fund in accordance with the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Series 2012 Bonds so delivered.

(b) Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph), all moneys paid by the Institute to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied in reduction of the Institute’s indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Series 2012 Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Series 2012 Bonds and as a result thereof Series 2012 Bonds have been paid or deemed to have been paid in accordance with the provisions of the Resolution summarized in Appendix D under the heading “Defeasance.” Except as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of Series 2012 Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Series 2012 Bonds.

(c) The obligations of the Institute to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institute may otherwise have against the Authority, the Trustee or any Holder of Series 2012 Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institute to complete the Project or the completion thereof with defects, failure of the Institute to occupy or use the Project, any declaration or finding that the Series 2012 Bonds are or the Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part contained in the Loan Agreement or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institute may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the Institute for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for such Project available therefor.

The Loan Agreement and the obligations of the Institute to make payments under the Loan Agreement are general obligations of the Institute.

(d) The Authority, for the convenience of the Institute, shall furnish to the Institute statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided by the Loan Agreement. The Institute shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institute.

(e) The Authority shall have the right in its sole discretion to make on behalf of the Institute any payment required pursuant to the provisions of the Loan Agreement which has not been made by the Institute when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under the provisions of the Loan Agreement summarized under the heading “**Defaults and Remedies**” below arising out of the Institute’s failure to make such payment and no payment by the Authority shall be construed to be a waiver of any such right or of the obligation of the Institute to make such payment.

(f) The Institute, if it is not then in default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in the Debt Service Fund and applied in accordance with the Resolution or held by the Trustee for the payment of Series 2012 Bonds in accordance with the Resolution. Upon any voluntary payment by the Institute or any payment made pursuant to the provisions of the Loan Agreement summarized under the heading “**Sale of the Project**” below, the Authority agrees to direct the Trustee to purchase or redeem Series 2012 Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Series 2012 Bonds; **provided, however**, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Series 2012 Bonds Outstanding, or to pay or provide for the payment of all Series 2012 Bonds Outstanding in accordance the Resolution, the Authority agrees, in accordance with the instructions of the Institute, to direct the Trustee to purchase or redeem all Series 2012 Bonds Outstanding, or to cause all Series 2012 Bonds Outstanding to be paid or to be deemed paid in accordance with Section 12.01(b) of the Resolution.

(g) If the Institute elects to purchase Series 2012 Bonds, with the written consent of the Authority, the Institute shall give written notice to the Authority and the Trustee whenever Series 2012 Bonds are to be purchased at the election of the Institute, which written notice shall include the maturity and principal amount of the Series 2012 Bonds to be so purchased. All such purchases shall be subject to the condition that money for the payment of the purchase price therefore is available on the date set for each such purchase.

(Section 9)

Reserve Funds

The Institute agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund relating to the Series 2012 Bonds an amount at least equal to the Debt Service Reserve Fund Requirement, provided that the Institute shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in the Debt Service Reserve Fund relating to the Series 2012 Bonds as a result of a deficiency in such fund only after the notice required by the Resolution is given.

In accordance with the Resolution, the Institute may deliver to the Trustee a Reserve Fund Facility for all or any part of a Debt Service Reserve Fund Requirement relating to the Series 2012 Bonds in accordance with and to the extent permitted by the Resolution.

The delivery to the Trustee of Government Obligations and Exempt Obligations and other moneys from time to time made by the Institute pursuant to the Loan Agreement shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the Institute’s obligations under the Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The Institute authorizes the Authority pursuant to the Resolution to pledge such Government

Obligations and Exempt Obligations and other moneys to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on the Series 2012 Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution.

(Section 10)

Security Interest in Pledged Revenues

As security for the payment of all liabilities and the performance of all obligations of the Institute pursuant to the Loan Agreement, the Institute does continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the Institute's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues. This pledge, grant of security interest in and assignment of the Pledged Revenues shall be subordinate only to the Prior Pledges.

The Institute represents and warrants that no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, other than the Prior Pledges, and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the Institute's performance under the Loan Agreement. The Institute agrees that after the date of the Loan Agreement it shall not create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge made by the Loan Agreement.

(Section 11)

Collection of Pledged Revenues

Subject to the provisions summarized in the following paragraph, commencing on the date on which the Series 2012 Bonds are first issued and delivered and continuing until no Series 2012 Bonds are Outstanding, the Institute shall deliver to the Trustee for deposit in accordance with the provisions of the Resolution summarized in Appendix D under the heading "**Deposit of Revenues and Allocation Thereof,**" all Pledged Revenues (other than amounts subject to Prior Pledges) within ten (10) days following the Institute's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the sum of (i) the interest coming due on or prior to the earlier of the next succeeding January 1 or July 1, (ii) the principal and Sinking Fund Installments of Outstanding Series 2012 Bonds payable on and prior to the next succeeding July 1, and (iii) the Redemption Price or purchase price of Outstanding Series 2012 Bonds theretofore called for redemption or contracted to be purchased, and accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the Loan Agreement, the Authority notifies the Institute that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be made directly to the Authority or the Trustee notwithstanding anything contained in this subdivision, but the Institute shall continue to deliver to the Trustee for deposit in accordance with the provisions of the Resolution summarized in Appendix D under the heading "**Deposit of Revenues and Allocation Thereof,**" any payments received by the Institute with respect to the Pledged Revenues (other than amounts subject to Prior Pledges).

Notwithstanding anything to the contrary in the provisions of the Loan Agreement summarized in the preceding paragraph, in the event that, on or prior to the date on which a payment is to be made pursuant to the Loan Agreement on account of the principal, Sinking Fund Installments or Redemption Price of or interest on Outstanding Series 2012 Bonds, the Institute has made such payment from its general funds or from any other money legally available to it for such purpose, the Institute shall not be required solely by virtue of the provisions of the Loan Agreement summarized in the preceding paragraph, to deliver Pledged Revenues to the Trustee.

Any Pledged Revenues collected by the Institute that are not required to be paid to the Trustee pursuant to the Loan Agreement shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Institute for any of its corporate purposes provided that no Event of Default (as defined in the

Loan Agreement) nor any event which but for the passage of time or the receipt of notice or both would be an Event of Default has occurred and is continuing.

(Section 12)

Mortgages; Lien on Fixtures, Furnishings and Equipment

At or before the delivery by the Authority of the Series 2012 Bonds, the Institute shall execute and deliver to the Authority the Mortgage, in recordable form, mortgaging the Mortgaged Property acceptable to the Authority, which Mortgage shall constitute a first lien on the Mortgaged Property, subject only to the Permitted Encumbrances.

(Section 13)

Warranty of Title; Utilities and Access

The Institute warrants and represents to the Authority that (i) it has good and marketable title to the Project and all Mortgaged Property, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the Institute's programs and (ii) the Institute has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from the Project for proper operation and utilization of the Project and all Mortgaged Property and for utilities required to serve the Project and all Mortgaged Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institute of the Project.

The Institute warrants, represents and covenants that the Project and the Mortgaged Property from and after the time the Authority is granted a security interest therein (i) is and will be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances, (ii) is and will be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation) and (iii) to the extent applicable, has and will have its own separate and independent means of access, apart from any other property owned by the Institute or others; **provided, however, that** such access may be through common roads or walks owned by the Institute used also for other parcels owned by the Institute.

(Section 14)

Additional Representation and Covenants

The Institute warrants and represents that (i) it has the requisite power and authority (A) to authorize, execute and deliver, and to perform its obligations under, the Loan Agreement, the Mortgage and the Related Agreements, (B) to incur the indebtedness contemplated by the Loan Agreement and thereby and (C) to make the pledge of and grant the security interest in the Pledged Revenues given by the Loan Agreement and to mortgage any Mortgaged Property, (ii) the Loan Agreement and the Related Agreements constitute valid and binding obligations of the Institute enforceable in accordance with their terms and (iii) the execution and delivery of, consummation of the transaction contemplated by and performance of the Institute's obligations under the Loan Agreement and each of the Related Agreements, including, but not limited to, the pledge of and security interest in the Pledged Revenues and the Government Obligations and Exempt Obligations made or granted pursuant to the Loan Agreement and the mortgaging of the Mortgaged Property, do not violate, conflict with or constitute a default under the charter or by-laws of the Institute or any indenture, mortgage, trust, or other commitment or agreement to which the Institute is a party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institute or any of its properties.

The Institute warrants, represents and covenants (i) that, excepting only the Prior Pledges, the Pledged Revenues are and will be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge thereof made pursuant to the Loan Agreement and (ii) that all corporate action on the part of the Institute to authorize the pledge thereof and the granting of a security interest

therein has been duly and validly taken. The Institute further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect such pledge and security interest and all of the rights of the Authority and the Holders of Series 2012 Bonds under the Loan Agreement against all claims and demands of all persons whomsoever.

(Section 16)

Tax-Exempt Status of Institute

The Institute represents that: (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a “private foundation,” as such term is defined under Section 509(a) of the Code; (ii) it has received a letter or other notification from the Internal Revenue Service to that effect; (iii) such letter or other notification has not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification; (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist; and (vi) it is exempt from federal income taxes under Section 501(a) of the Code, except for payment of unrelated business income tax. The Institute agrees that: (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institute as an educational organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law; and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in a manner, or for any trade or business unrelated to the educational purposes of the Institute, which could adversely affect the exclusion of interest on the Series 2012 Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 17)

Securities Acts Status

The Institute represents that: (i) it is an organization organized and operated (A) exclusively for educational or charitable purposes and (B) not for pecuniary profit; and (ii) no part of the net earnings of which inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. The Institute agrees that it shall not perform any act or enter into any agreement which shall adversely affect such status as set forth in the Loan Agreement.

(Section 18)

Maintenance of Corporate Existence

The Institute covenants that it will (i) maintain its corporate existence, (ii) continue to operate as a non-profit educational organization, (iii) obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditation as may be necessary for it to continue to so operate, (iv) except as expressly permitted by the Loan Agreement, not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another person or permit one or more persons to consolidate with or merge into it, The Institute, with the prior written consent of the Authority, may (A) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies as an organization described in Section 501(c)(3) of the Code, or any successor provision of federal income tax law, (B) permit one or more corporations or any other organization to consolidate with or merge into it, or (C) acquire all or substantially all of the assets of one or more corporations or other organizations. Notwithstanding the foregoing provisions, no disposition, transfer, consolidation or merger otherwise permitted by the Loan Agreement shall be permitted unless (1) the same would not in the opinion of Bond Counsel adversely affect the exclusion of interest on any Bond from gross income for purposes of federal income taxation, (2) the Institute will not as a result thereof be in default under the Loan Agreement or under any Related Agreement, (3) the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State and is qualified as an organization described in Section 501(c)(3) of the Code or any successor provision of federal income tax law, and (4) the

surviving, resulting or transferee corporation of the Institute assumes in writing all of the obligations of the Institute under the Loan Agreement, under the Continuing Disclosure Agreement, the Mortgage and under the Related Agreements and furnishes to the Authority (x) a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation will be in compliance with each of the provisions of the Loan Agreement and of the Related Agreements, and will meet the requirements of the Act, and (y) such other certificates and documents as the Authority may reasonably require to establish compliance with the Loan Agreement.

(Section 19)

Environmental Quality Review and Historic Preservation

For the purpose of assisting the Authority in making any findings or determinations which might be required by (i) Article 8 of the New York Environmental Conservation Law and the regulations promulgated thereunder (collectively, “SEQR”) or (ii) the New York State Historic Preservation Act of 1980 and the regulations promulgated thereunder (collectively the “Preservation Act”), the Institute agrees to abide by the requirements relating thereto as set forth in the Loan Agreement.

(Section 20)

Use and Possession of the Project

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institute shall have sole and exclusive control and possession of and responsibility for (i) the Project and any Mortgaged Property, (ii) the operation of the Project and the Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof and (iii) the maintenance, repair and replacement of the Project and the Mortgaged Property; **provided, however,** that, except as otherwise limited by the Loan Agreement, the foregoing shall not prohibit use of the Project and the Mortgaged Property by persons other than the Institute or its students, staff or employees in furtherance of the Institute’s corporate purposes, if such use will not adversely affect the exclusion of interest on any Series 2012 Bonds from gross income for federal income tax purposes.

(Section 21)

Sale of the Project

The Institute covenants that it will not transfer, sell or convey the Project or any part thereof or interest therein, including development rights, without the prior approval of the Authority, unless (a) in the opinion of Bond Counsel, the same will not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes and (b) the Institute pays to the Trustee either for deposit into the Debt Service Fund, or, pursuant to the Resolution, to be set aside or to purchase Defeasance Securities in accordance with the direction of the Authority.

Notwithstanding the foregoing, the Institute may remove equipment, furniture or fixtures that is part of the Project and was financed with the proceeds of Series 2012 Bonds provided that the Institute substitutes for such equipment, furniture or fixtures additional equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 23)

Maintenance, Repair and Replacement

The Institute agrees that, throughout the term of the Loan Agreement, it shall, at its own expense, hold, operate and maintain the Project and any Mortgaged Property in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and safe condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted. The Institute shall give the Authority

not less than fifteen (15) days prior written notice of its intention to make a change or alteration that materially alters the scope or nature of the Project or any Mortgaged Property or a portion thereof. The Institute shall have the right to remove or replace any type of fixtures, furnishings and equipment in the Project or the Mortgaged Property which may have been financed by the proceeds of the sale of Series 2012 Bonds provided the Institute substitutes for any such removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced.

The Institute further agrees that it shall pay at its own expense all extraordinary costs of maintaining, repairing and replacing the Project or the Mortgaged Property except insofar as funds are made available therefor from proceeds of insurance, condemnation or eminent domain awards.

(Section 24)

Covenant as to Insurance

The Institute agrees to maintain or cause to be maintained insurance with insurance companies or by means or self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by private colleges and universities located in the State of a nature similar to that of the Institute, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. The Institute shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

(Section 25)

Damage or Condemnation

In the event of a taking of the Project or any Mortgaged Property or any portion thereof by eminent domain or condemnation, or of damage or destruction affecting all or part thereof, all property casualty insurance, condemnation or eminent domain proceeds shall, if in excess of \$250,000 and not applied to reimburse the Institute for costs incurred to repair or restore the same, be paid to the Trustee for deposit in the Construction Fund. All proceeds derived from an award for such taking or from property casualty insurance shall be applied as provided below.

(i) If within one hundred twenty (120) days (or such longer period as the Authority and the Institute may agree) after the Authority receives actual notice or knowledge of the taking or damage, the Institute and the Authority agree in writing that the property or the affected portion thereof shall be repaired, replaced or restored, the Institute shall proceed to repair, replace or restore the same, or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Institute and approved in writing by the Authority. The funds required for such repair, replacement or restoration shall be paid, subject to such conditions and limitations as the Authority may impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and to the extent such proceeds are not sufficient, from funds to be provided by the Institute.

(ii) If no agreement for the repair, restoration or replacement of the property or affected portion shall have been reached by the Authority and the Institute within such period, the proceeds then held by the Institute shall be paid the Trustee for deposit in the Debt Service Fund and the proceeds then held in the Construction Fund shall be transferred to the Debt Service Fund, whereupon such proceeds shall be applied to the purchase or redemption of Outstanding Series 2012 Bonds.

(Section 26)

Taxes and Assessments

The Institute shall pay when due at its own expense, and hold the Authority harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Project, the Mortgaged Property or any part thereof, and upon all ordinary costs of operating, maintaining, repairing and replacing such Project, the Mortgaged Property and its equipment. The Institute shall file exemption certificates as required by law. The Institute agrees to exhibit to an Authorized Officer of the Authority within ten (10) days after written demand by the Authority, certificates or receipts issued by the appropriate authority showing full payment of all taxes, assessments, water and sewer charges and other impositions; **provided, however**, that the good faith contest of such impositions shall be deemed to be complete compliance with the requirements of the Loan Agreement if the Institute sets aside such reserves as may be required by good accounting practice. Notwithstanding the foregoing, the Authority in its sole discretion, after notice in writing to the Institute, may pay any such charges, taxes and assessments if, in the reasonable judgment of the Authority, the Project, the Mortgaged Property or any part thereof would be in substantial danger by reason of the Institute's failure to pay such charges, taxes and assessments of being sold, attached, forfeited, foreclosed, transferred, conveyed, assigned or otherwise subjected to any proceeding, equitable remedy, lien, charge, fee or penalty that would impair (i) the interests or security of the Authority under the Loan Agreement or under the Resolution or the Mortgage; (ii) the ability of the Authority to enforce its rights thereunder; (iii) the ability of the Authority to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement or under the Resolution or the Mortgage; or (iv) the ability of the Institute to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement and the Institute agrees to reimburse the Authority for any such payment, with interest thereon from the date payment was made by the Authority at a rate equal to the highest rate of interest payable on any investment held for the Debt Service Fund on the date such payment was made by the Authority.

(Section 27)

Defaults and Remedies

As used in the Loan Agreement the term “**Event of Default**” shall mean:

- (i) the Institute shall (A) default in the timely payment of any amount payable pursuant to the Loan Agreement (other than as described in subsection (B) below) or the payment of any other amounts required to be delivered or paid by or on behalf of the Institute in accordance with the Loan Agreement or with the Resolution or the Series 2012 Resolution, and such default continues for a period in excess of seven (7) days or (B) default in the timely payment of interest payable on Outstanding Variable Interest Rate Series 2012 Bonds or the purchase price of Option Series 2012 Bonds tendered for purchase, in accordance with the terms of the Loan Agreement; or
- (ii) the Institute defaults in the due and punctual performance of any other covenant contained in the Loan Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Institute by the Authority or the Trustee or, if such default is not capable of being cured within thirty (30) days, the Institute fails to commence within said thirty (30) days to cure the same and to diligently prosecute the cure thereof; or
- (iii) as a result of any default in payment or performance required of the Institute under the Loan Agreement or any other Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an “event of default” (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Series 2012 Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof; or
- (iv) the Institute shall (A) be generally not paying its debts as they become due, (B) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (C) make a

general assignment for the benefit of its general creditors, (D) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing; or

(v) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institute, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Institute, or any petition for any such relief shall be filed against the Institute and such petition shall not be dismissed or stayed within ninety (90) days; or

(vi) the charter of the Institute shall be suspended or revoked; or

(vii) a petition to dissolve the Institute shall be filed by the Institute with the Board of Regents of the University of the State of New York, the legislature of the State or other governmental authority having jurisdiction over the Institute; or

(viii) an order of dissolution of the Institute shall be made by the Board of Regents of the University of the State of New York, the legislature of the State or other governmental authority having jurisdiction over the Institute, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(ix) a petition shall be filed with a court having jurisdiction for an order directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institute which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days; or

(x) an order of a court having jurisdiction shall be entered directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institute, which order shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

(xi) a final judgment for the payment of money, at least one million dollars (\$1,000,000) of which is not covered by insurance or reserves set aside by the Institute, which in the judgment of the Authority will adversely affect the rights of the Holders of the Series 2012 Bonds shall be rendered against the Institute and at any time after forty-five (45) days from the entry thereof, (A) such judgment shall not have been discharged or paid, or (B) the Institute shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within forty-five (45) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal; or

(xii) the occurrence and continuance of an event of default under the Mortgage.

Upon the occurrence of an Event of Default the Authority may take any one or more of the following actions:

(i) declare all sums payable by the Institute under the Loan Agreement immediately due and payable;

(ii) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Series 2012 Bonds or the Construction Fund or otherwise to which the Institute may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(iii) withhold any or all further performance under the Loan Agreement;

(iv) maintain an action against the Institute under the Loan Agreement to recover any sums payable by the Institute or to require its compliance with the terms of the Loan Agreement or of the Mortgage;

(v) realize upon any pledge of or security interest in the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement and in a manner consistent with the rights of the holders secured by the Prior Pledges, by any one or more of the following actions: (A) enter the Institute and examine and make copies of the financial books and records of the Institute relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of the Institute representing Pledged Revenues or proceeds thereof; (B) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that (1) subject to the Prior Pledges, the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Series 2012 Bonds on the next interest payment date therefor and may continue to do so commencing on each such interest payment date to the extent of amounts due on Outstanding Series 2012 Bonds on the next interest payment date therefor, with respect to the Pledged Revenues, until such amounts are fully collected, (2) written notice of such notification shall be mailed to the Institute five (5) days prior to mailing or otherwise making such notification to account debtors and (3) until the Institute shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; (C) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Institute's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institute whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the Institute to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority; provided, however, that (1) the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institute under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the Institute to make withdrawals from such fund or account for its corporate purposes and (3) the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institute when all Events of Default under the Loan Agreement by the Institute have been cured; (E) forbid the Institute to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (F) endorse in the name of the Institute any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

(vi) to the extent permitted by law, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institute, consent to such entry being by the Loan Agreement given by the Institute, (B) at any time discontinue any work commenced in respect of the construction of the

Project or change any course of action undertaken by the Institute and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institute in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institute, whether or not previously incorporated into the construction of the Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions summarized in this subparagraph (vi), (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institute shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions summarized in this subparagraph (vi) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institute to the Authority upon demand. The Institute irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institute for the purpose of exercising the rights granted to the Authority by provisions summarized in this subparagraph (vi) during the term of the Loan Agreement;

(vii) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on Series 2012 Bonds, or any other obligation or liability of the Institute or the Authority arising from the Loan Agreement, or from the Resolution;

(viii) realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (i) enter the Project or the Mortgaged Property and take possession of any such fixtures, furnishings and equipment; (ii) sell, lease or otherwise dispose of any such fixtures, furnishings and equipment either together with a sale, lease or other disposition of the Mortgaged Property pursuant to the Loan Agreement or to the Mortgage, or separately, whether or not possession has been secured; provided, however, that if sold, leased or otherwise disposed of separately, such sale, lease or other disposition shall be in commercially reasonable manner and upon five (5) days prior written notice to the Institute of the time and place of such sale; and

(ix) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement or under any Mortgage or by law, and any other action or proceeding permitted by the terms of the Loan Agreement or by law.

All rights and remedies in the Loan Agreement given or granted to the Authority are cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made pursuant to the Loan Agreement and its consequences if such Event of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 31)

Investment of Moneys

The Institute acknowledges that the Authority may in its sole discretion direct the investment of certain moneys held under the Resolution and the Series 2012 Resolution as provided therein and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the provisions of the Resolution summarized in Appendix D under the heading “**Security for Deposits and Investment of Funds**” in the manner provided therein, or for any loss, direct or indirect, resulting from any such investment. The Authority agrees that it shall direct the making of investments as permitted by the Resolution as soon as practicable when moneys are legally available therefor.

(Section 33)

Limitation on Agreements

The Institute shall not enter into any contract or agreement which impairs the Institute’s ability to comply with the provisions of the Loan Agreement relating to financial obligations of the Institute in any material respect.

(Section 35)

Arbitrage; Tax Exemption

Each of the Institute and the Authority covenants that it shall take no action, nor shall it approve the Trustee’s taking any action or making any investment or use of the proceeds of the Series 2012 Bonds, which would cause the Series 2012 Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Series 2012 Bonds at the time of such action, investment or use. Neither the Institute (nor any “related person”, as such term is defined for purposes of Section 148 of the Code) shall purchase Series 2012 Bonds other than for delivery to and cancellation by the Trustee, unless the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by the Institute or by a related person of Series 2012 Bonds will not cause interest on the Series 2012 Bonds to be included in the gross income of the owners of such Series 2012 Bonds for purpose of federal income taxation.

The Institute covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the Institute contained in the Tax Certificate then to be untrue and shall comply with all covenants and agreements of the Institute contained in the Tax Certificate, in each case to the extent required by and otherwise in compliance with such Tax Certificate.

(Section 36)

Certificate as to Representations and Warranties

The obligations of the Authority under the Loan Agreement and the delivery of the Series 2012 Bonds are conditioned upon the receipt by the Authority at or prior to delivery the Series 2012 Bonds of a certificate of an Authorized Officer of the Institute acceptable to the Authority to the effect that the representations and warranties contained in the Loan Agreement are true and correct and in full force and effect on and as of the date of delivery of the Series 2012 Bonds as if made on the date of delivery of the Series 2012 Bonds.

(Section 40)

Further Assurances

The Institute, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as are necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Pledged Revenues, moneys, securities, funds and security interests by the Loan

Agreement or by the Resolution pledged, assigned or granted, or intended so to be, or which the Institute may after the date of the Loan Agreement become bound to pledge, assign or grant to the Authority pursuant to the Loan Agreement.

(Section 43)

Amendments to Loan Agreement

The Loan Agreement may be amended only in accordance with the Resolution and each amendment shall be made by an instrument in writing signed by the Institute and the Authority, an executed counterpart of which shall be filed with the Trustee.

(Section 44)

Termination

Except as otherwise set forth therein, the Loan Agreement shall remain in full force and effect until no Series 2012 Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institute shall have been made or provision made for the payment thereof. Upon such termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Institute to evidence such termination and the discharge of the Institute's duties under the Loan agreement and the release or surrender of any security interests granted by the Institute to the Authority pursuant to the Loan Agreement.

(Section 45)

Financial Covenants

Definitions Relating to Financial Covenants

For purposes of the financial covenants described below, the following terms shall have the following respective meanings unless the context clearly indicates a different meaning.

Annual Debt Service when used in connection with any Indebtedness, means as of any particular date of calculation the amount required to be paid by the Institute during the then current Fiscal Year to pay the principal, whether at maturity or upon mandatory redemptions and prepayments, of and interest on such Indebtedness; provided, however, that such amounts required to be paid on Short-Term Indebtedness shall include interest only; and provided further that such amount shall not include interest to be paid from proceeds of Indebtedness (i.e. capitalized interest) or principal amounts paid during the then current Fiscal Year from the proceeds of Refunding Debt. In the event the Institute has entered into a variable rate to fixed rate interest rate swap agreement or agreements in connection with all or a portion of its Indebtedness, "Annual Debt Service" shall include payments exchanged by the Institute and the interest rate swap provider(s) under such interest rate swap agreement(s) by adding any amounts paid by the Institute to the swap provider(s) and subtracting any amounts received by the Institute from the swap provider(s).

Balloon Indebtedness is Long-Term Indebtedness of which 25% or more in principal amount matures, is mandatorily required to be redeemed or prepaid, or is required to be purchased by the Institute (either automatically or at the option of the holder of such Balloon Indebtedness) in any one year.

Debt Service Coverage Ratio is the ratio of Operating Income Available for Debt Service to Annual Debt Service.

Available Assets means the sum of all cash and cash equivalents, investments and assets held by trustees under bond indenture agreements (exclusive of amounts held by trustees attributable to Non-Recourse Indebtedness), and any cash, cash equivalents or investments held as collateral, less all permanently restricted net

assets of the Institution, all as shown on the audited financial statements of the Institution, determined in accordance with generally accepted accounting principles then applicable to the Institution.

Available Assets to Debt Ratio means the ratio of Available Assets to Long-Term Indebtedness.

Fiscal Year means a twelve month period beginning on June 1st of a calendar year and ending on May 31st of the next succeeding calendar year, or such other twelve month period as the Institute may elect as its fiscal year.

Indebtedness means, without duplication, indebtedness for borrowed money incurred or guaranteed by the Institute, whether or not evidenced by notes, bonds, debentures or other similar evidences of indebtedness, including indebtedness under purchase money mortgages, capital leases, installment sales agreements and similar security arrangements which appear as debt on the audited balance sheet of the Institute in accordance with generally accepted accounting principles then applicable to the Institute; provided, however, that Non-Recourse Indebtedness shall not constitute Indebtedness for purposes of Schedule D of the Loan Agreement.

Long-Term Indebtedness means Indebtedness having an original maturity of greater than one (1) year or Indebtedness on which the Institute has an option to extend the maturity thereof for a period of greater than one (1) year beyond the date of the original incurrence thereof.

Maximum Annual Debt Service when used in connection with any Indebtedness means as of any particular date of calculation the greatest amount of Annual Debt Service required to be paid by the Institute during the then current or any future Fiscal Year, provided, however, that in the event the Institute has entered into a variable rate to fixed rate interest rate swap agreement in connection with all or a portion of such Indebtedness, Annual Debt Service in any future Fiscal Year shall be calculated using the fixed rate payment due to the interest rate swap provider(s) under such interest rate swap agreement associated with such Indebtedness.

Management Consultant means a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing the Institute's operations, acceptable to the Authority.

Non-Recourse Indebtedness means indebtedness secured by a mortgage or other lien on property on which the creditor has agreed that it will not seek to enforce or collect such indebtedness out of any property or assets of the Institute other than the property securing the same or to collect any deficiency upon a foreclosure, forced sale or other realization upon such property out of any other property or assets of the Institute

Operating Income Available for Debt Service means total unrestricted operating revenues *minus* total unrestricted operating expenses, exclusive of depreciation and interest paid, all as shown on the audited financial statements of the Institute stated in accordance with generally accepted accounting principles then applicable to the Institute.

Parity Indebtedness means any Indebtedness that is secured by collateral securing the Series 2012 Bonds in the manner prescribed in the "parity indebtedness" section of Schedule D to the Loan Agreement.

Refunding Debt means Long-Term Indebtedness issued or incurred to pay or to provide for the payment of other Long-Term Indebtedness.

Reporting Date means the first business day that is 120 days after such Testing Date.

Short-Term Indebtedness means any Indebtedness that is not Long-Term Indebtedness.

Testing Date means the last day of the Institute's Fiscal Year.

(Section 1 of Schedule D)

Debt Service Coverage Ratio Covenant

(i) The Debt Service Coverage Ratio Requirement. During each Fiscal Year, the Institute covenants to charge and maintain student tuition, fees and other charges and to budget operating expenses sufficient to provide a Debt Service Coverage Ratio of 1.25:1.

(ii) Reporting Requirement. On or prior to each Reporting Date, the Institute shall file with the Authority a certificate of an Authorized Officer of the Institute stating whether at the immediately preceding Testing Date the Debt Service Coverage Ratio requirement is satisfied and setting forth the calculation upon which such statement is based.

(iii) Remedies. (a) If on two consecutive Testing Dates the Institute does not satisfy the Debt Service Coverage Ratio requirement, or (b) if on any Testing Date the Debt Service Coverage Ratio falls below 1:1, the Authority may require the Institute to retain a Management Consultant. Failure to maintain the required Debt Service Coverage Ratio, however, shall not be an Event of Default under the Loan Agreement.

Available Assets to Debt Ratio Covenant

(i) Available Assets to Debt Ratio Requirement. Commencing with the Institute's Fiscal Year ending in 2013, the Institute covenants to have available on each Testing Date (a) for Fiscal Years ending in 2013 through 2016, Available Assets at least equal to 50% of the Institute's Long-Term Indebtedness, and (b) for Fiscal Years ending in 2017 and thereafter, the Institute covenants to have available on each Testing Date, Available Assets at least equal to 65% of the Institute's Long-Term Indebtedness.

(ii) Reporting Requirement. On or prior to each Reporting Date, the Institute shall file with the Authority a certificate of an Authorized Officer of the Institute stating whether at the immediately preceding Testing Date the Available Assets to Debt Ratio requirement is satisfied and setting forth the calculation upon which such statement is based.

(iii) Remedies. If on any Testing Date the Institute does not satisfy the Available Assets to Debt Ratio requirement described in (i) above, or (b), the percentage decline in the Available Assets to Debt Ratio from the Fiscal Year two years prior to the current Fiscal Year to the current Fiscal Year is fifty percent (50%) or greater, the Authority may require the Institute to retain a Management Consultant. Failure to maintain the required Available Assets to Debt Ratio, however, shall not be an Event of Default under the Loan Agreement.

(Section 2 of Schedule D)

Management Consultant Call-In

Optional Management Consultant Call-In

If the Authority elects to require the Institute to retain the services of a Management Consultant in accordance with Schedule D to the Loan Agreement, then the Authority shall, at its election which shall be exercised in writing within sixty (60) days of notice of the applicable covenant failure, request the Institute to engage, at the Institute's expense, a Management Consultant to review the fees and tuition, operations and management of the Institute and any other matter deemed appropriate by the Authority and to make such recommendations with respect to such fees and tuition, operations, management and other matters as will enable the Institute to comply with such covenants within a reasonable period acceptable to the Authority. The Institute shall engage a Management Consultant within sixty (60) days of such request by the Authority.

Compliance With Recommendations

Whenever a Management Consultant is required to be engaged by the Institute pursuant to Schedule D to the Loan Agreement, copies of the report and recommendations of such Management Consultant shall be filed with the Authority, the Trustee, the Board of Trustees of the Institute and an Authorized Officer of the Institute no later than one hundred twenty (120) days following the date of the engagement of such Management Consultant. The Institute shall, to the extent feasible, promptly upon its receipt of such recommendations, and subject to applicable requirements or restrictions imposed by law or regulation, revise its tuition, fees and charges, its methods of operation or collections of its debt and investment management and shall take such other action as shall be in conformity with such recommendations. The Institute shall deliver to the Authority and the Trustee within forty-five (45) days of receipt of such Management Consultant's report; (A) a report setting forth in reasonable detail the steps the Institute proposes to take to implement the recommendations of such Management Consultant; and (B) a certified copy of a resolution adopted by the Board of Trustees of the Institute accepting both the Management Consultant's report and the report prepared by the Institute as required in clause (A) hereof; and, subsequently, (C) quarterly reports demonstrating the progress made by the Institute in implementing the recommendations of the Management Consultant.

If the Institute complies in all material respects with the reasonable recommendations of the Management Consultant to the satisfaction of the Authority, the Institute will be deemed to have complied with the covenants contained in Schedule D to the Loan Agreement for the Institute's Fiscal Year in which the Management Consultant's report is delivered.

(Section 3 of Schedule D)

Additional Indebtedness

Except as otherwise provided below, the Institute will not after the date of execution of the Loan Agreement issue, incur, assume or guarantee any Indebtedness without the prior written consent of the Authority.

Long-Term Indebtedness

The Institute may issue, incur, assume or guarantee Long-Term Indebtedness without the consent of the Authority provided that (i) it maintains a debt rating that is at least in the "BBB/Baa" category (without regard to qualification of such ratings by symbols such as "+" or "-" and numerical notation) from at least one Rating Service and (ii) (a) such Long-Term Indebtedness issued, assumed or guaranteed in any Fiscal Year is in an amount less than or equal to ten percent (10%) of the amount of its unrestricted and temporarily restricted net assets as reported for the most recently concluded Fiscal Year for which audited financial statements are available or (b) the Institute provides to the Authority a certificate of an Authorized Officer of the Institute containing pro forma calculations demonstrating that the maintenance covenants described in Section 2 of Schedule D to the Loan Agreement would be met for the most recently concluded Fiscal Year for which audited financial statements are available taking into account the additional Long-Term Indebtedness proposed to be issued.

For purposes of calculating the Debt Service Coverage Ratio for such pro forma calculations, Annual Debt Service will be equal to projected Maximum Annual Debt Service. Indebtedness which does not bear interest at a fixed rate will be deemed to bear interest at a rate which is equal to 120% of the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 24-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 24-month period, provided that if such information is available for less than a 12-month period, such Indebtedness will be deemed to bear interest at 120% of the weighted average of the SIFMA Municipal Swap Index rates for the 24-month period ending on the date of calculation). The principal of Balloon Indebtedness will be deemed to mature in equal annual installments over the remaining term of such Indebtedness (or such other assumed term acceptable to the Authority). In the event the project to be financed with such additional Long-Term Indebtedness is expected to generate additional revenues, such revenues, net of anticipated expenses, may be included in the pro forma

calculations of the Debt Service Coverage Ratio provided that such estimations of additional net revenues are deemed reasonable in the sole discretion of the Authority.

Refunding Debt

The Institute may issue, incur, assume or guarantee Refunding Debt without the consent of the Authority or compliance with the requirements of Schedule D to the Loan Agreement provided that, after giving effect to such Refunding Debt, the Annual Debt Service on the Institute's Long-Term Indebtedness to be outstanding thereafter will not be increased in any Fiscal Year as established by a certificate or report to that effect by an Authorized Officer of the Institute delivered to the Authority on or prior to the date such Refunding Debt is issued, incurred, assumed or guaranteed; provided, however, that the Authority's consent will be required if the security interest in the collateral securing such Refunding Debt is proposed to be prior to the security interest in the collateral securing any Authority Indebtedness.

Non-Recourse Indebtedness

Notwithstanding the foregoing, the Institute may issue Non-Recourse Indebtedness without the Authority's consent provided that any assets pledged as collateral or for the repayment of such indebtedness must have been acquired by the Institute after the issuance of the Series 2012 Bonds.

Short-Term Indebtedness

The Institute may incur Short-Term Indebtedness without the Authority's consent if, with respect to such indebtedness, during any twelve (12) month period, there will be no outstanding balance for a period of not less than thirty (30) days or such shorter period as acceptable to the Authority.

Parity Indebtedness

Any Indebtedness that is to be secured by any collateral securing the Series 2012 Bonds shall be subject to the conclusion and prior execution of an inter-creditor agreement by the Authority and any other parties with an interest in such collateral that is to be shared on a parity with such Indebtedness.

(Section 4 of Schedule D)

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution pertaining to the Series 2012 Bonds. This summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. The headings below are not part of the Resolution but have been added for ease of reference only. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Resolution and Bonds Constitute a Contract

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its The Culinary Institute of America Revenue Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and such Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds of a Series, and the pledge and assignment to the Trustee made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by a Series Resolution.

(Section 1.03)

Assignment of Certain Rights and Remedies to the Trustee

With respect to each Series of Bonds, as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Outstanding Bonds of such Series and for the performance of each other obligation of the Authority under the Resolution and under a Series Resolution, the Authority may, and upon the occurrence of an event of default under the Resolution shall, grant, pledge and assign to the Trustee all of the Authority's estate, right, title, interest and claim in, to and under the applicable Loan Agreement or any Mortgage, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under the such Loan Agreement, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance herewith) all Revenues, insurance proceeds, sale proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under such Loan Agreement, or any Mortgage and the right to make all waivers and agreements in the name and on behalf of the Authority, as Trustee for the benefit of the Bondholders of such Series, and to perform all other necessary and appropriate acts under such Loan Agreement or any Mortgage, subject to the following conditions, that (i) that the Holders of such Bonds of a Series, if any, shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority, (ii) that, unless and until the Trustee is assigned the applicable Loan Agreement and any Mortgage, the Trustee shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in such Loan Agreement or any Mortgage to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision), the Authority, however, to remain liable to observe and perform all the conditions and covenants, in such Loan Agreement, provided to be observed and performed by it and (iii) that any grant, pledge and assignment of money, revenues, accounts, rights or other property of the Institute made with respect to the applicable Loan Agreement pursuant to this Section of the Resolution shall secure, in the case of such Loan Agreement, only the payment of the amounts payable under such Loan Agreement.

Any grant, pledge or assignment made pursuant to this Section of the Resolution shall be made by instruments in form and substance reasonably satisfactory to the Trustee executed and delivered by the Authority as soon as practicable after the occurrence of an event of default under the Resolution, but in no event more than thirty (30) days thereafter. The Trustee shall accept such grant, pledge and assignment which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee in form and substance reasonably satisfactory to the Authority. Upon any such grant, pledge or assignment contemplated by the Resolution the Authority may retain the right to (i) the payment of any fees, costs and expenses of the Authority payable pursuant to the applicable Loan Agreement, (ii) the indemnities provided by the Resolution and payments made pursuant to such indemnities and (iii) the exercise of any right or remedy available under such Loan Agreement or any Mortgage for the enforcement of the obligations of the Institute to which the Authority has retained such right.

If an event of default under the Resolution has been cured and is no longer continuing, the Trustee, as soon as practicable after the written request of the Authority, shall re-grant and re-assign to the Authority, and release from any pledge made by the Authority pursuant to this Section of the Resolution, all of the Authority's estate, right, title, interest and claim in, to and under a Loan Agreement or any Mortgage, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under the Resolution, theretofore granted, pledged or assigned to the Trustee pursuant to this Section of the Resolution. The Trustee shall execute such instruments as the Authority may reasonably require to effect or evidence such re-grant, re-assignment or release.

If applicable, at or prior to the initial issuance and delivery of a Series of Bonds, upon delivery to the Trustee of evidence in writing from Authorized Officers of the Authority and the applicable creditors of the Institute with respect to such Series of Bonds to the effect that the Intercreditor Agreement among the Authority, such creditor(s) and the Trustee is in form and substance satisfactory to them (which may be evidenced by the execution thereof by the Authority and such creditor(s)), an Authorized Officer of the Trustee shall, upon determination by the Trustee that such Intercreditor Agreement is in form and substance satisfactory to it (which determination by the Trustee shall not be unreasonably withheld or delayed), execute and deliver to the Authority and such creditor(s) such Intercreditor Agreement. In addition, an Authorized Officer of the Trustee shall execute and deliver to the Authority and such creditor(s) such amendments to or supplements of such Intercreditor Agreement as may be requested by an Authorized Officer of the Authority.

(Section 1.04)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds as provided by the Resolution.

(Section 2.05)

Redemption of Bonds

Authorization of Redemption

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Series Resolution or a Bond Series Certificate shall be redeemable, in accordance with the Resolution, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate.

(Section 4.01)

Redemption at the Election or Direction of the Authority

In the case of any redemption of Bonds of a Series other than as summarized in the following paragraph, the Authority shall give written notice to the Trustee, and each applicable Provider of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each maturity of such Series and Sub-Series to be redeemed. The Series, Sub-Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Authority shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate. Such notice shall be given to the Trustee, and each applicable Provider at least forty-five (45) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. Unless the notice of redemption required by the Resolution provides that the redemption is subject to the condition that money for payment of the Redemption Price is available on the redemption date, such notice shall not be given unless prior to the date such notice is to be given the Authority shall have paid or caused to be paid to the Trustee an amount which, in addition to other amounts available therefor held by the Trustee, is sufficient to redeem, on the redemption dates at the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, all of the Bonds of such Series to be so redeemed. For purposes of determining the amount required to be paid pursuant to the preceding sentence when Variable Interest Rate Bonds are to be redeemed, it shall be assumed that for any period for which the rate at which such Bonds will bear interest is unknown such Bonds bear interest at the Maximum Rate established therefore by the Series Resolution authorizing such Bonds or the Bond Series Certificate applicable thereto.

(Section 4.02)

Redemption Other Than at Authority's Election or Direction

Whenever by the terms of the Resolution the Trustee is required to redeem Bonds of a Series through the application of mandatory Sinking Fund Installments, the Trustee shall select the Bonds of such Series, Sub-Series and maturities to be redeemed in the manner summarized in the following paragraph, give the notice of redemption and pay out of money available therefor the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, to the appropriate Paying Agents in accordance with the terms of the Resolution.

(Section 4.03)

Selection of Bonds to Be Redeemed

Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, Sub-Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, Sub-Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as summarized in the Resolution) which end in the same digit or in the same two digits. If in such a case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; **provided, however**, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

For purposes of the Resolution, the lowest denomination in which a Capital Appreciation Bond is authorized to be issued shall be the lowest Accreted Value authorized to be due at maturity on such Bonds and the lowest denomination in which a Deferred Income Bond is authorized to be issued shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Bonds.

(Section 4.04)

Notice of Redemption

Whenever Bonds of a Series are to be redeemed, the Trustee shall give notice of the redemption of such Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) the principal amount of each Bond to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book-Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on such Bond or as contained in such notice shall not affect the validity of the proceedings for redemption; and (ix) if the Authority's obligation to redeem the Bonds is subject to conditions, a statement that describes the condition to such redemption. Any notice of redemption, other than a notice for special or extraordinary redemption provided for in a Series Resolution or Bond Series Certificate, may state that the redemption is conditioned upon receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of the Bonds to be redeemed, and that if such moneys are not received such notice shall be of no force or effect and such Bonds shall not be required to be redeemed.

Such notice shall further state that on such date there shall become due and payable upon each Bond of a Series to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue. Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond of a Series to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date; **provided, however**, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

(Section 4.05)

Payment of Redeemed Bonds

Notice having been given by mail in the manner provided in the Resolution, the Bonds of a Series or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds of like Series, Sub-Series, maturity and tenor to be redeemed in part, at

the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond of a Series, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, Sub-Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, money for the redemption of all Bonds of a Series or portions thereof of any like Series, Sub-Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest on such Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Resolution. If such money shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Purchase of Purchased Bonds

Whenever Bonds are to be purchased at the election of the Institute, written notice thereof and of the Bonds of the Series, Sub-Series and maturity to be so purchased having been given by the Institute to the Authority, the Trustee, and each applicable Provider, the Trustee shall select the particular Bonds of such Series, Sub-Series and maturity to be so purchased in the same manner as provided by the Resolution for the selection of Bonds to be redeemed in part. Promptly thereafter the Trustee shall give notice of the purchase of the Bonds at the times and in the manner provided in the Series Resolution authorizing such Bonds or the Bond Series Certificate related thereto. The Trustee shall not give such notice unless prior to the date such notice is given, the Institute has caused to be delivered to the Trustee the written consent to such purchase of the Authority and each applicable Provider. All such purchases may be subject to conditions to the Institute's obligation to purchase such Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner required by the Series Resolution authorizing the Bonds to be so purchased or the Bond Series Certificate relating thereto, then, if sufficient money to pay the purchase price of such Bonds is held by the Trustee, the purchase price of the Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such Bonds (other than Book Entry Bonds) to be purchased at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. Payment of the purchase price of other than Book Entry Bonds shall be made, upon the request of the registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds to be so purchased, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has prior to the purchase date directed in writing the Trustee to wire such purchase price. Bonds so purchased shall be considered to be Outstanding and each such Bond so purchased that is not a Book Entry Bond shall be registered in the name or at the direction of the Institute.

(Section 4.07)

Pledge of Resolution; Funds and Accounts

Pledge of Resolution

The proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues, if any, and, except as otherwise provided in Section 5.02 of the Resolution, all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, are by the Resolution,

subject to the adoption of a Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal and Redemption Price of and interest on such Series of Bonds, all in accordance with the Resolution and the Series Resolution. The pledge made by the Resolution shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues, if any, and all applicable funds and accounts established by the Resolution and by a Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues, if any, and the funds and accounts established by the Resolution and pursuant to a Series Resolution and which are pledged by the Resolution as provided in the Resolution, which pledge shall constitute a first lien thereon, subject to any prior pledges and permitted Parity Indebtedness.

(Section 5.01)

Establishment of Funds and Accounts

Unless otherwise provided by a Series Resolution, the following funds are authorized to be established and shall be held and maintained for each Series of Bonds by the Trustee separate and apart from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund; Debt Service Fund;
Debt Service Reserve Fund; and
Arbitrage Rebate Fund.

In addition to the accounts and subaccounts, if any, required to be established by the Resolution or by any Series Resolution, or any Bond Series Certificate, the Authority may for purposes of internal accounting establish such other accounts and subaccounts as the Authority or the Trustee deems proper, necessary or desirable. All money at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by a Series Resolution or required by the Resolution to be created shall be held in trust for the benefit of the Holders of Bonds of a Series, and shall be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution, unless otherwise provided in the applicable Series Resolution; **provided, however,** that the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price of such Option Bonds and (ii) any fund or account established by or pursuant to such Series Resolution for repayment of advances made under a Liquidity Facility for payment of the purchase price of Option Bonds, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds, and may be pledged to the provider of such Liquidity Facility.

(Section 5.02)

Application of Moneys in the Construction Fund

As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the Construction Fund the amount required to be deposited in the Resolution pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund for such Series any money paid to the Authority pursuant to the

Resolution and all amounts paid by the Institute which by the terms of the applicable Loan Agreement are required to be deposited in the Construction Fund.

Except as otherwise provided in the Resolution and in any applicable Series Resolution or Bond Series Certificate, money deposited in the Construction Fund shall be used only to pay the Costs of Issuance and the Costs of the Project with respect to such Series of Bonds.

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the money, if any, then remaining in the Construction Fund relating to such Project, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of such Project then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

First: Upon the direction of an Authorized Officer of the Authority, to the applicable Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the applicable Debt Service Reserve Fund, if any, such amount as shall be necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement; and

Third: To the applicable Debt Service Fund, to be applied in accordance with the Resolution, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

The Revenues and any other moneys, which, by any of the provisions of the Loan Agreement, are required to be paid to the Trustee with respect to a Series of Bonds, shall upon receipt thereof be deposited or paid by the Trustees follows and in the following order of priority:

First: To the applicable Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until December 31 thereof, the amount, if any, necessary to make the amount in such Debt Service Fund equal to (a) the interest on Outstanding Bonds of a Series payable on or prior to the next succeeding January 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond of a Series on and prior to the next succeeding January 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, (b) the Sinking Fund Installments of Outstanding Option Bonds of a Series and Variable Interest Rate Bonds of a Series payable on or prior to the next succeeding January 1 and (c) the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption pursuant to the Resolution, on or prior to the next succeeding January 1, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond on and prior to the next succeeding July 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum and (b) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the Resolution on or prior to the next succeeding July 1, plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse, pro rata, each Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Provider;

Third: To the applicable Debt Service Reserve Fund, if any, the amount, if any, necessary to make the amount on deposit in the Resolution equal to the Debt Service Reserve Fund Requirement;

Fourth: Upon the direction of an Authorized Officer of the Authority, to the applicable Arbitrage Rebate Fund the amount set forth in such direction; and

Fifth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the applicable Loan Agreement or any Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to the provisions summarized in this paragraph.

The Trustee shall, promptly after making the above required payments, notify the Authority and the Institute of any balance of Revenues remaining on the immediately succeeding July 1. After making the above required payments, the balance, if any, of the Revenues then remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Construction Fund or the Debt Service Fund, or paid to the Institute, in the respective amounts set forth in such direction. Any amounts paid to the Institute shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Loan Agreement.

(Section 5.05)

Debt Service Fund

(a) The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent out of the Debt Service Fund for a Series of Bonds:

(i) the interest due and payable on all Outstanding Bonds of a such on such interest payment date;

(ii) the principal amount due and payable on all Outstanding Bonds of such Series on such interest payment date; and

(iii) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds on such interest payment date on Outstanding Bonds of such Series.

The amounts paid out pursuant to the Resolution shall be irrevocably pledged to and applied to such payments.

(b) In the event that on the fourth Business Day preceding any interest payment date the amount in the Debt Service Fund for a Series shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds, for the payment of principal of such Outstanding Bonds of such Series, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee

shall withdraw from the applicable Debt Service Reserve Fund and deposit to the Debt Service Fund, if any, and deposit to the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee shall notify the Authority, each Facility Provider and the Institute of a withdrawal from the Debt Service Reserve Fund.

(c) Notwithstanding the provisions of paragraph (a) of the Resolution, the Authority may, at any time subsequent to the first day of July of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment on a Series is scheduled to be due, direct the Trustee to purchase, with money on deposit in the Debt Service Fund for such Series (other than a Debt Service Fund established in connection with a Series of Bonds secured by a Credit Facility that is a direct-pay letter of credit), at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of a Series to be redeemed from such Sinking Fund Installment. In addition, the Institute pursuant to the Loan Agreement may deliver, at any time subsequent to July 1 of any Bond Year, but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, to the Trustee for cancellation one or more Term Bonds of the Series and maturity to be so redeemed on such date from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond so delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; **provided, however**, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(d) Any Term Bond so delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date, **provided, however**, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(e) Money in the Debt Service Fund for a Series in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, the interest on Outstanding Bonds of a Series payable on and prior to the earlier of the next succeeding January 1 or July 1, assuming that a Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, and the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of a Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Debt Service Fund, such money shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority given pursuant the Resolution to the redemption of Bonds of a Series as provided in the Resolution, at the Redemption Prices specified in the applicable Series Resolution authorizing the issuance of the Bonds to be redeemed or the Bond Series Certificate relating to such Bonds.

(Section 5.06)

Debt Service Reserve Fund

(a) (1) The Trustee shall deposit to the credit of the Debt Service Reserve Fund for a Series such proceeds of the sale of Bonds of the Series, if any, as shall be prescribed in the applicable Series Resolution or the applicable Bond Series Certificate, and any Revenues, moneys, Government Obligations and Exempt Obligations as, by the provisions of the Loan Agreement are delivered to the Trustee by the Institute for the purposes of the Debt Service Reserve Fund.

(2) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds of a Series for all or any part of the Debt Service Reserve Fund Requirement.

(b) Moneys held for the credit of the Debt Service Reserve Fund for a Series shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the provisions of the Resolution; provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the applicable Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid under the Resolution. The Trustee shall provide notification as set forth in the Resolution of any withdrawal of moneys from the Debt Service Reserve Fund or payment of a Reserve Fund Facility immediately upon such withdrawal or payment.

With respect to any demand for payment under any Reserve Fund Facility deposited in the Debt Service Reserve Fund, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided in the Resolution to assure the availability of moneys on the interest payment date for which such moneys are required.

(c) (1) Moneys and investments held for the credit of the Debt Service Reserve Fund for a Series in excess of the Debt Service Reserve Fund Requirement, upon direction of an Authorized Officer of the Authority, shall be withdrawn by the Trustee and (i) deposited in the Arbitrage Rebate Fund, Debt Service Fund or Construction Fund for such Series, (ii) paid to the Institute or (iii) applied by the Authority to pay the principal or Redemption Price of and interest on Bonds of another Series or bonds of the Authority issued in connection with the Institute pursuant to resolutions other than the Resolution, in accordance with such direction; provided, however, that no such amount shall be withdrawn and deposited, paid or applied unless in the opinion of Bond Counsel such deposit, payment or application will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

(2) Notwithstanding the provisions of the Resolution, if, upon a Bond of a Series having been deemed to have been paid in accordance with the defeasance provisions of the Resolution or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Debt Service Reserve Fund for the Bonds of such Series will exceed the applicable Debt Service Reserve Fund Requirement, then the Trustee shall, simultaneously with such redemption or a deposit made in accordance with the defeasance provisions of the Resolution, withdraw all or any portion of such excess from such Debt Service Reserve Fund upon the direction of an Authorized Officer of the Authority and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority, or (ii) either (x) fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond if, in the opinion of Bond Counsel, application of such moneys to the use authorized in provisions summarized in this clause (x) will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes, (y) pay such amount to the Authority for deposit to the Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Project will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes, or (z) apply such amount to such other purpose as may be approved in writing by the Authority if, in the opinion of Bond Counsel, application of such amount to such purpose will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Fund Requirement.

(d) Subject to the limitation described in the definition of Debt Service Reserve Fund Requirement, if upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund are less than the applicable Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Institute of such deficiency and the Institute shall, as soon as practicable, but in no

event later than fifteen (15) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, Exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If the Institute has not made timely payment, the Trustee shall immediately notify the Authority of such non-payment.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any money delivered to it by the Institute for deposit in the Resolution and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, money on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Money on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Money which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall, first, be applied to reimburse, pro rata, each Provider for money advanced under a Credit Facility or Liquidity Facility, including interest thereon, which is then unpaid, in proportion to the respective amounts advanced by each such Provider, and, then be deposited to any fund or account established under the Resolution in accordance with the written direction of such Authorized Officer.

The Authority shall periodically determine the amount which may be required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to a Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate money to the Department of the Treasury of the United States of America with respect to such Series of Bonds and (ii) if and to the extent required by the Code, pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Money in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund and the applicable Debt Service Reserve Fund, if any, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of a Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable or to make provision pursuant to the Resolution for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Institute. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds of a Series, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by a Series Resolution as provided in the redemption provisions of the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the defeasance provisions of the Resolution and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.09)

Transfer of Investments

Whenever money in any fund or account established under the Resolution or under a Series Resolution is to be paid in accordance with the Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the money, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

(Section 5.10)

Security for Deposits and Investment of Funds

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such money is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any money with them pursuant to the debt service fund provisions or the defeasance provisions of the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Trustee to give security for any money which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such money.

(Section 6.01)

Investment of Funds and Accounts Held by the Trustee

(a) Money held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution.

(b) In lieu of the investments of money in obligations authorized in paragraph (a) of the Resolution summarized above the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest money in the Construction Fund or Debt Service Reserve Fund in any Permitted Investment; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution, provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

(c) Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(d) In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

(e) Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and the Institute in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) of this Section of the Resolution. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(f) No part of the proceeds of a Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond of a Series to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(Section 6.02)

Particular Covenants

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in such Bonds according to the true intent and meaning thereof.

(Section 7.01)

Further Assurance

The Authority, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, pledges and assignments created by the Resolution and by the applicable Series Resolution or made or intended to be created or made, or which the Authority may hereafter become bound to pledge or assign.

(Section 7.04)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to a Series of Bonds, including but not limited to the objects and purposes for which proceeds of such Bonds were expended and the respective amounts expended for such objects and purposes. Such books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Institute, the Trustee or of any Holder of a Bond of a Series or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the

Authority, to each Provider and to the Institute. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and the applicable Series Resolution; a statement of the Revenues collected in connection herewith and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of a Series or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

Except as permitted by the Resolution or by or pursuant to a Series Resolution, the Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues, if any, the rights of the Authority to receive payments to be made under a Loan Agreement that are to be deposited with the Trustee or the funds and accounts established by the Resolution and by any Series Resolution which are pledged by the Resolution; **provided, however**, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations or otherwise incurring indebtedness under another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created by the Resolution and by a Series Resolution and (ii) incurring obligations with respect to a Credit Facility or a Liquidity Facility which are secured by a lien upon and pledge of the applicable Revenues of equal priority with the lien created and the pledge made by the Resolution and by the applicable Series Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Institute

The Authority shall take all legally available action to cause the Institute to perform fully all duties and acts and comply fully with the covenants of the Institute required by a Loan Agreement in the manner and at the times provided in such Loan Agreement; **provided, however**, that the Authority may (i) delay, defer or waive enforcement of one or more provisions of such Loan Agreement (other than provisions requiring the payment of money or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of such Series and (ii) at any time prior to the occurrence of an event of default under the Resolution, annul any declaration that the indebtedness under such Loan Agreement is immediately due and payable and, if prior to the entry of a final judgment or decree in any action or proceeding instituted on account of an event of default under such Loan Agreement, discontinue such action or proceeding if the Institute shall have cured each event of default under such Loan Agreement.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds of a Series to be deposited in the Construction Fund, any money paid to the Authority for the acquisition, construction, reconstruction, renovation or equipment of a Project, including the proceeds of any insurance of condemnation award so applied, shall be deposited in the Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds of a Series may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or

pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized by the Resolution or referred to in the Resolution may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds of a Series may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of such Bonds.

(Section 7.09)

Amendment of Loan Agreement

A Loan Agreement may not be amended, changed, modified, altered or terminated nor may any provision thereof be waived if any such amendment, change, modification, alteration, termination or waiver would adversely affect the interest of the Holders of Outstanding Bonds of the applicable Series in any material respect unless consented to in writing by the Holders of at least a majority in aggregate principal amount of the Bonds of such Series then Outstanding; **provided, however**, that no such amendment, change, modification, alteration, or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of a Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Institute under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Any consent given pursuant to this paragraph by the Holders of Bonds shall, except as otherwise provided in the Resolution, be given in the same manner required by the Resolution.

Except as otherwise provided in the Resolution, a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of the Outstanding Bonds to which such Loan Agreement relates or the Trustee. Without limiting the generality of the preceding Section, a Loan Agreement may be amended, changed, modified or altered (i) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any facilities constituting a part of any Project or to otherwise amend the Project or (ii) with the consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in such Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Except as otherwise provided in the Resolution, a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds or the Trustee.

Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of the Resolution, the purchasers of Bonds of a Series, whether purchasing as underwriters, Remarketing Agent or otherwise for resale, may upon such purchase consent to an amendment, change, modification, alteration, termination or waiver permitted by this Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by any other Holder of such Bonds; **provided, however**, that, if such consent is given by a purchaser who is purchasing as an underwriter or Remarketing Agent or for resale, the nature of the amendment, change, modification, alteration, termination or waiver and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the initial offering, reoffering or resale of the Bonds of such Series.

For the purposes of the Resolution, the Holders of Outstanding Bonds of a Series shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the Loan Agreement or the waiver of any provision thereof if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification, alteration, termination or waiver and any such determination shall be binding and conclusive on the Institute, the Authority and all Holders of Bonds of such Series. The Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification, alteration, termination or waiver adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

(Section 7.11)

Notice as to Event of Default under Loan Agreement

The Authority shall notify the Trustee in writing that an Event of Default under the Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice shall be given as soon as practicable after the Authority has obtained actual knowledge thereof.

(Section 7.12)

Series Resolutions and Supplemental Resolutions

Modification and Amendment without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

- (a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;
- (b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (c) To prescribe further limitations and restrictions upon the issuance of Bonds of a Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (e) To confirm, as further assurance, any pledge under the Resolution and under a Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution and a Series Resolution, of the Revenues, or any pledge of any other money, securities or funds;
- (f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;
- (g) To modify or amend a Project; or
- (h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders of a Series in any material respect,

(Section 9.01)

Supplemental Resolutions Effective With Consent

The provisions of the Resolution and of a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondholders of the applicable Series in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the Institute upon its becoming effective.

(Section 9.02)

General Provisions Relating to Supplemental Resolutions

The Resolution or a Series Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution. Nothing contained the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution summarized under the heading “**Further Assurance**” above, or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere provided in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall transmit a copy of such Supplemental Resolution to the Institute and to each applicable Provider upon its becoming effective.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee, a Paying Agent or o a Provider shall become effective without the written consent of the Trustee, the Paying Agent or Provider affected by the Resolution.

(Section 9.03)

Amendments of Resolution

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution or of any Series Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as in the Resolution after provided in the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds of a Series Outstanding at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution section summarized herein, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes

the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds of such Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution. The Trustee shall transmit a copy of such Supplemental Resolution to the Institute upon its becoming effective.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution summarized above to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders of a Series of Bonds affected by the Resolution for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to such Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of a Series specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee.

Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Bondholder and of any Bonds of a Series issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in the Resolution is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds of a Series shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters or Remarketing Agent, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; **provided, however**, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering, reoffering or resale of the Bonds of such Series by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of a Series may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds of a Series then Outstanding, such consent to be given as provided in the Resolution, except that no notice to the Bondholders either by mailing or publication shall be required.

(Section 10.03)

Defaults and Remedies

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (referred to in the Resolution as an “event of default”) if:

- (a) With respect to a Series of Bonds, payment of the principal Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) With respect to a Series of Bonds, payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or
- (c) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest in the Resolution from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or
- (d) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in such Bonds or in the Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or
- (e) With respect to a Series of Bonds, the Authority shall have notified the Trustee that an “Event of Default” as defined in the Loan Agreement shall have occurred and be continuing and all sums payable by the Institute under the Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default summarized in paragraph (c) above, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the

Outstanding Bonds of a Series, shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of such Series to be immediately due and payable. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in a Series Resolution or in the Bonds of a Series to the contrary notwithstanding. At any time after the principal of such Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds of such Series not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) money shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Series (except the interest accrued on such Bonds since the last interest payment date); (ii) money shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Series Resolution (other than principal amounts payable only because of a declaration and acceleration under the Resolution) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section of the Resolution) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any Event of Default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected by the Resolution, shall proceed (subject to the provisions of the Resolution relating to the compensation of the Trustee or any Paying Agent) to protect and enforce its rights and the rights of the Bondholders under the Resolution or under the applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or in the applicable Series Resolution granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under a Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of a Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under a Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in a Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the money adjudged or decreed to be payable,

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of

which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or thereof or to enforce any right under the Resolution or thereunder except in the manner in the Resolution provided and in the Series Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

(a) If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other money and securities pledged to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all money or other securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited in the Resolution in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institute. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

(b) Bonds for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee (through deposit of money for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution. All Outstanding Bonds of any Series or any maturity within such Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph (a) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received the written consent to such defeasance of each applicable Provider which has given written notice to the Trustee and the Authority that amounts advanced under the Credit Facility or Liquidity Facility issued by it or the

interest thereon have not been repaid to such Provider, and (iv) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by the Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which money is to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with the Resolution. The Trustee shall select the Bonds of like Series, Sub-Series and maturity payment of which shall be made in accordance with the Resolution in the manner provided in the Resolution.

(Section 12.01)

FORM OF APPROVING OPINION OF BOND COUNSEL

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FORM OF APPROVING OPINION OF BOND COUNSEL

October ____, 2012

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We have examined the record of proceedings relating to the \$22,150,000 aggregate principal amount of The Culinary Institute of America Revenue Bonds, Series 2012 (the "Series 2012 Bonds") issued by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2012 Bonds are issued under and pursuant to the Act and The Culinary Institute of America Revenue Bond Resolution of the Authority, adopted September 19, 2012 (the "Resolution"), and Series 2012 Resolution Authorizing The Culinary Institute of America Revenue Bonds, Series 2012, adopted September 19, 2012 (the "Series 2012 Resolution" and, together with the Resolution, the "Resolutions"). The Series 2012 Bonds are being issued for the purposes set forth in the Resolutions.

The Authority has entered into a Loan Agreement with The Culinary Institute of America (the "Institute"), dated as of September 19, 2012 (the "Loan Agreement"), providing, among other things, for a loan to the Institute for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institute is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Series 2012 Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the holders of the Series 2012 Bonds. The Authority, the Institute and the Trustee have also entered into a Tax Compliance Agreement as of the date hereof (the "Tax Compliance Agreement") relating to the Series 2012 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), prescribes a number of qualifications and conditions for the interest on state and local obligations to be and to remain excluded from gross income for federal income purposes, some of which, including provisions for potential payments by the Authority to the federal government, require future or continued compliance after issuance of the Series 2012 Bonds in order for the interest thereon to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Authority or the Institute may cause the interest on the Series 2012 Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of their issuance. The Authority and the Institute have each covenanted, in the Series 2012 Resolution and the Loan Agreement, respectively, and in the Tax Compliance Agreement to comply with the requirements of the Code, and to take the actions required of them for the interest on the Series 2012 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. In addition, we have relied on the opinion of counsel to the Institute regarding, among other matters, the current qualifications of the Institute as an organization described in Section 501(c)(3) of the Code.

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

(1) The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2012 Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by the Authority. The Series 2012 Resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms. The Resolutions create the valid pledge and the valid lien upon the Revenues that they purport to create, subject only to the provisions of the Resolutions permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions.

(3) The Series 2012 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2012 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms pursuant to the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

(4) The Authority has the right and lawful authority and power to enter into the Loan Agreement. The Loan Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Loan Agreement by the Institute, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

(5) Under existing law:

(a) interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code;

(b) interest on the Series 2012 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code; provided, however, that such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations; and

(c) interest on the Series 2012 Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

Except as stated in paragraph 5 above, we express no opinion as to the federal or state tax consequences of the ownership or disposition of the Series 2012 Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2012 Bonds, or the interest thereon, if any action is taken with respect to the Series 2012 Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Hiscock & Barclay, LLP.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Institute or as to the accuracy, completeness or sufficiency of the Official Statement or other offering materials relating to the Series 2012 Bonds except to the extent, if any, stated in the Official Statement.

We have examined a fully executed Series 2012 Bond and, in our opinion, the form of said Series 2012 Bond and its execution is regular and proper.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2012 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws effecting creditors' rights generally and as to the availability of any particular remedy.

Very truly yours,

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