

NEW ISSUE



\$60,765,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
LONG ISLAND UNIVERSITY REVENUE BONDS,
SERIES 2012

Dated: Date of Delivery

Due: September 1, as shown below

Payment and Security: The Long Island University 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 July 25, 2012, between Long Island University (the "University") and the Authority, and (ii) all funds and accounts, except the Arbitrage Rebate Fund, established in connection with the Series 2012 Bonds. The Series 2012 Bonds are to be issued under the Authority's Long Island University Revenue Bond Resolution, adopted July 25, 2012 (the "General Resolution" or the "Resolution"), a Series Resolution authorizing the Series 2012 Bonds, adopted July 25, 2012 (the "Series 2012 Resolution"), and the Series 2012 Bond Series Certificate, dated as of October 4, 2012 relating to the Series 2012 Bonds (the "Bond Series Certificate"). The General Resolution, the Series Resolution and the Bond Series Certificate are collectively referred to herein as the "Resolutions."

The Loan Agreement is a general obligation of the University and requires the University to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay, when due, the principal and Redemption Price of and interest on the Series 2012 Bonds. The obligations of the University to make such payments under the Loan Agreement will be secured by a pledge of tuition and fees charged to students for academic instruction and a mortgage on certain properties of the University. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS."

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. The Series 2012 Bonds will bear interest at the rates and pay interest and mature at the times shown on the inside cover hereof.

Interest (due March 1, 2013 and each September 1 and March 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 Manufacturers & Traders Trust Company, 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 or purchase in lieu of optional redemption prior to maturity as more fully described herein.*

Tax Exemption: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or the accrual or receipt of interest on, the Series 2012 Bonds. See "PART 12 - TAX MATTERS"

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 Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the University by its special counsel, Moritt Hock & Hamroff LLP, Garden City, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Arent Fox LLP, New York, New York. The Authority expects to deliver the Series 2012 Bonds in definitive form in New York, New York, on or about October 17, 2012.

PiperJaffray®

\$60,765,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
LONG ISLAND UNIVERSITY REVENUE BONDS,

SERIES 2012

Serial Bonds

<u>Due</u> <u>September 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Numbers</u> *
2013	2,950,000	3.000%	1.200%	649906 Z31
2014	3,065,000	3.000%	1.500%	649906 Z49
2015	3,170,000	4.000%	1.660%	649906 Z56
2016	3,325,000	4.000%	1.860%	649906 Z64
2017	3,480,000	4.000%	2.120%	649906 Z72
2018	3,665,000	5.000%	2.350%	649906 Z80
2019	3,840,000	3.000%	2.660%	649906 Z98
2020	3,975,000	2.750%	2.930%	649906 2A1
2021	4,115,000	3.000%	3.150%	649906 2B9
2022	4,285,000	3.000%	3.300%	649906 2C7
2023	4,445,000	3.250%	3.500%	649906 2D5
2024	3,070,000	3.375%	3.625%	649906 2E3
2025	3,200,000	5.000%	3.620%	649906 2F0
2026	3,355,000	5.000%	3.690%	649906 2G8
2027	3,520,000	5.000%	3.750%	649906 2H6

\$7,305,000 3.750% Term Bond Due September 1, 2032 Yield 4.000% CUSIP Number* 649906 2J2

*CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of owners of the Series 2012 Bonds only at the time of issuance of the Series 2012 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is 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 maturity.

No dealer, broker, salesperson or other person has been authorized by the Authority, the University 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 University 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 University 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 University has reviewed the parts of this Official Statement describing the University, the principal and interest requirements, the refunding plan, the estimated sources and uses of funds and Appendix B. As a condition to delivery of the Series 2012 Bonds, the University 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 University makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities law, but the Underwriter does not guarantee the accuracy or completeness of such information.

References in this Official Statement to the Act, the Resolution, the Series Resolution, the Bond Series Certificate and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series Resolution, the Bond Series Certificate and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series Resolution, the Bond Series Certificate 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 University have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 BONDS, THE UNDERWRITER MAY EFFECT CERTAIN TRANSACTIONS THAT STABILIZE THE PRICE OF THE SERIES 2012 BONDS. SUCH TRANSACTIONS MAY CONSIST OF BIDS OR PURCHASES FOR THE PURPOSE OF MAINTAINING THE PRICE OF THE SERIES 2012 BONDS. IN ADDITION, IF THE UNDERWRITER OVER-ALLOTS i.e. SELLS MORE THAN THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES 2012 BONDS, AND THEREBY CREATES A SHORT POSITION IN THE SERIES 2012 BONDS IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY REDUCE THAT SHORT POSITION BY PURCHASING SERIES 2012 BONDS IN THE OPEN MARKET. IN GENERAL, PURCHASES OF A SECURITY FOR THE PURPOSE OF STABILIZATION OR TO REDUCE A SHORT POSITION COULD CAUSE THE PRICE OF A SECURITY TO BE HIGHER THAN IT MIGHT OTHERWISE BE IN THE ABSENCE OF SUCH PURCHASES. THE UNDERWRITER MAKES NO REPRESENTATION OR PREDICTION AS TO THE DIRECTION OR MAGNITUDE OF ANY EFFECT THAT THE TRANSACTIONS DESCRIBED ABOVE MAY HAVE ON THE PRICE OF THE SERIES 2012 BONDS. THE UNDERWRITER MAKES NO REPRESENTATION THAT IT WILL ENGAGE IN SUCH TRANSACTIONS OR THAT SUCH TRANSACTIONS, IF COMMENCED, WILL NOT BE DISCONTINUED WITHOUT NOTICE.

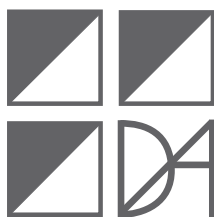
This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." Such forward-looking statements are identified by the use of the words "estimate," "project," "anticipate," "expect," "intend," or "believe" or the negative thereof or other variations thereon or comparable terminology. Such forward-looking information involves important risks and uncertainties that could result in the actual information being significantly different from that expressed in this Official Statement by the University. Potential investors are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such statements, potential investors should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements.

The achievement of any financial projection is dependent upon future events, the occurrence of which cannot be assured. Therefore, the actual results achieved may vary from the projections included herein. Any change in the business condition of the University could materially and adversely affect the projections. The Authority, the Underwriter and the Trustee do not make any representation and assume no responsibility for the assumptions on which the projections are based.

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DORMITORY AUTHORITY - STATE OF NEW YORK - 515 BROADWAY, ALBANY, N.Y. 12207
PAUL T. WILLIAMS JR. - PRESIDENT **ALFONSO L. CARNEY JR. - CHAIR**

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DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
LONG ISLAND UNIVERSITY 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 University in connection with the offering by the Authority of \$60,765,000 aggregate principal amount of its Long Island University 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 University. 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 money, will be used to (i) defease and refund the bonds listed in “PART 7 - THE REFUNDING PLAN” (the “Refunded Bonds”), (ii) fund the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement, and (iii) pay the Costs of Issuance of the Series 2012 Bonds. See “PART 8 - ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2012 Bonds will be issued pursuant to the Act, the Resolution, the Series Resolution and the Bond Series Certificate. The Authority previously issued bonds, including the Refunded Bonds, on behalf of the University; however, the Series 2012 Bonds will be the first Series of Bonds issued under the Resolution. In addition to the Series 2012 Bonds, the Resolution authorizes the issuance of other Series of Bonds (collectively, the “Bonds”) to pay Costs of one or more Projects, to pay the Costs of Issuance of such Series of Bonds, to refund all or a portion of Outstanding Bonds or other notes or bonds of the Authority that were issued on behalf of the University and to refinance other indebtedness of the University. Each Series of Bonds will be separately secured from each other Series of Bonds. 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.”

Other Outstanding Bonds

Proceeds of the Refunded Bonds were used to finance or refinance loans to the University pursuant to loan agreements entered into between the Authority and the University in connection with the issuance of the Refunded Bonds (collectively, the “Refunded Bonds Loan Agreements”). Proceeds of the 2012 Bonds will be used to defease and refund the Refunded Bonds, and all liens on the property of the University securing the University’s obligations under the Refunded Bonds Loan Agreements will be discharged.

In addition to the Refunded Bonds, the Authority previously issued its Long Island University Insured Revenue Bonds, Series 2006A Bonds (the “2006 Bonds”). Proceeds of the 2006 Bonds were used to finance a loan to the University pursuant to a loan agreement entered into between the Authority and the University in connection with the issuance of the 2006 Bonds (the “2006 Loan Agreement”). The University’s obligations to the Authority under the 2006 Loan Agreement are secured by a pledge of the Pledged Revenues, by a mortgage (the “Original 2006 Mortgage”) on certain property of the University (the “Original 2006 Mortgaged Property”) and by security interests in certain fixtures, furnishings and equipment now or hereafter located in or used in connection with the Original 2006 Mortgaged Property. The Original 2006 Mortgage and such security interests were assigned to the trustee for the 2006 Bonds (the “2006 Trustee”).

The University expects that, concurrently with the issuance of the Series 2012 Bonds, the University will grant to the Authority a collateral mortgage (the “2006 Collateral Mortgage” and, together with the Original 2006 Mortgage, the “2006 Mortgages”) on certain property of the University (the “2006 Collateral Mortgaged Property” and together with the Original 2006 Mortgaged Property, the “Mortgaged Property”) and a security interest in certain fixtures, furnishings and equipment now or hereafter located in or used in connection with the 2006 Collateral Mortgaged Property, to secure the University’s obligations under the 2006 Loan Agreement. The Authority intends to assign the 2006 Collateral Mortgage and such security interest to the 2006 Trustee.

To secure the obligations of the University under the Loan Agreement, the University will grant to the Authority a security interest in the Pledged Revenues and a mortgage on the Mortgaged Property on a parity with the security interest in the Pledged Revenues and the mortgage on the Mortgaged Property securing the 2006 Bonds. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS – Security for the Series 2012 Bonds.” The respective rights and remedies of the Authority, the Trustee and the 2006 Trustee with respect to the 2006 Mortgages, the 2012 Mortgage and the Pledged Revenues will be governed by the provisions of an intercreditor agreement. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Security for the Series 2012 Bonds - Intercreditor 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 9 - THE AUTHORITY.”

The University

The University is an independent, coeducational, nonsectarian, not-for-profit institution of higher education chartered by the Board of Regents of the State. The University’s central administrative office is located in Brookville, New York. See “PART 4 – THE UNIVERSITY” and “Appendix B - FINANCIAL STATEMENTS OF LONG ISLAND UNIVERSITY AS OF AND FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010 WITH INDEPENDENT AUDITORS’ REPORT THEREON.”

The Series 2012 Bonds

The Series 2012 Bonds are dated their date of delivery and bear interest from such date (payable March 1, 2013 and on each September 1 and March 1 thereafter) at the rates and will mature at the times 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 University 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.”

The Series 2012 Bonds will not be a debt of the State nor will the State be liable on them. 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 money received from the University pursuant to the Loan Agreement and from amounts held in the funds and accounts established by the Series Resolutions and pledged to the payment of or to secure payment of the Series 2012 Bonds.

Security for the Series 2012 Bonds

The Series 2012 Bonds are secured by the pledge of the Revenues, the proceeds of such Series 2012 Bonds until disbursed in accordance with the Resolution and, except as otherwise provided in the Resolutions, all funds and accounts established by the Resolution and the Series Resolution in connection with the Series 2012 Bonds, other than the Arbitrage Rebate Fund.

The Loan Agreement is a general obligation of the University. As security for its obligations under the Loan Agreement, the University will grant to the Authority a security interest in the tuition and fees charged to students for academic instruction (the “Pledged Revenues”). The Authority will pledge and assign to the Trustee for the benefit of the Bondholders its security interest in the Pledged Revenues. The Pledged Revenues are subject to liens securing prior loans made by the Authority to the University from the proceeds of the 2006 Bonds. The Loan Agreement permits the University, with the consent of the Authority and without the consent of the Trustee or the Bondholders, to incur certain additional Indebtedness secured by a pledge of, or security interest in, the Pledged Revenues that is of equal priority with the pledge securing its obligations under the Loan Agreement. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Security for the Series 2012 Bonds-Pledge Revenues” and “ - Issuance of Additional Bonds,” “PART 4 - THE UNIVERSITY - Outstanding Indebtedness” and “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.”

The University’s obligations to the Authority under the Loan Agreement will be further secured by a mortgage (the “2012 Mortgage”) on the Mortgaged Property and by security interests in certain fixtures, furnishings and equipment now or hereafter located in or used in connection with the Mortgaged Property. The Authority intends to assign the 2012 Mortgage and such security interests to the Trustee. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Security for the Series 2012 Bonds –The Mortgages.” Pursuant to the Loan Agreement, the 2012 Mortgage may be modified, and Mortgage Property released therefrom, with the consent of the Authority and without the consent of the Trustee or the Bondholders. Further, foreclosure proceeds from the 2012 Mortgage and the 2006 Mortgages will be shared equally and ratably, as described below.

Intercreditor Agreement

Concurrently with the issuance of the Series 2012 Bonds, the Authority, the 2006 Trustee, the Trustee and Manufacturers and Traders Trust Company, as Security Agent, will enter into an intercreditor agreement (the “Intercreditor Agreement”) providing for the enforcement and administration of remedies and, in certain circumstances, the pro rata distribution of Pledged Revenues and proceeds of foreclosure of the Series 2006 Mortgages and Series 2012 Mortgage. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Security for the Series 2012 Bonds - Intercreditor Agreement.”

Covenants

The University covenants in the Loan Agreement that, so long as the Series 2012 Bonds remain Outstanding, it will demonstrate at the end of each Fiscal Year that (i) the Debt Service Coverage Ratio for such Fiscal Year then ended was at least equal to 1.25:1.0 and (ii) commencing with the University’s Fiscal Year ending August 31, 2013 and continuing through its Fiscal Year ending August 31, 2015, Available Assets as of the end of such Fiscal Year will be at least equal to 40% of outstanding Long-Term Indebtedness. The requirement pertaining to Available Assets to Debt increases to 50% commencing with the Fiscal Year ending August 31, 2016 and continuing through the Fiscal Year ending August 31, 2018, and increases to 60% for each Fiscal Year thereafter. The University is required to demonstrate compliance with such covenant by filing annual certificates with the Authority. Failure by the University to comply with the foregoing covenants will not constitute an event of default

under the Loan Agreement or the Resolution; rather, the Authority may require that the University engage a Management Consultant. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Covenants - *Maintenance Covenants*” and “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.”

The University also covenants in the Loan Agreement that, except to the extent permitted by the Loan Agreement, it will not issue, incur, assume or guarantee any Indebtedness without the prior written consent of the Authority. For a summary of the circumstances in which the University may incur such Indebtedness, see “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Covenants - *Additional Indebtedness*.”

The Refunding Plan

Substantially all of the proceeds of the Series 2012 Bonds, together with other available money, will be used to defease and refund the Refunded Bonds more particularly described herein issued by the Authority to finance loans to the University. See “PART 7 - 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, the Series Resolution and the Bond Series Certificate. Copies of the Loan Agreement, the Resolution, the Series Resolution and the Bond Series Certificate 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, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2012 Bonds are payable solely from the Revenues, which consist of payments to be made by the University pursuant to the Loan Agreement on account of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the 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 obligates the University to make payments to satisfy the principal and Redemption Price of and interest on the Outstanding Series 2012 Bonds. Payments made by the University in respect of interest on the Series 2012 Bonds are to be made on the 10th day of each month in an amount equal to one-sixth (1/6) of the interest, if any, coming due on the Series 2012 Bonds on the next succeeding March 1 or September 1. Payments by the University in respect of principal of the Series 2012 Bonds, whether at maturity or through mandatory Sinking Fund Installments, are to be made on the 10th day of each month commencing on the tenth (10th) day of the September immediately preceding the September 1 on which the principal or a Sinking Fund Installment of Series 2012 Bonds becomes due, in an amount equal to one-twelfth (1/12) of the principal and Sinking Fund Installment on the Series 2012 Bonds coming due on such September 1. The Loan Agreement also obligates the University to pay, at least 15 days prior to a redemption date or purchase date of the Series 2012 Bonds called for redemption or contracted to be purchased in lieu of optional redemption, the amount, if any, required to pay the Purchase Price or Redemption Price of such Series 2012 Bonds. See “PART 3 - THE SERIES 2012 BONDS – Redemption and Purchase in Lieu of Optional Redemption.”

The Authority has directed, and the University 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 and Redemption Price of and interest on the Series 2012 Bonds.

Security for the Series 2012 Bonds

The Series 2012 Bonds are secured by the pledge of the Revenues, the proceeds of the Series 2012 Bonds until disbursed in accordance with the Resolution and, except as otherwise provided in the Resolution, all funds and accounts established by the Series Resolution, other than the Arbitrage Rebate Fund. Each Series of Bonds issued pursuant to the Resolution will be separately secured from each other Series.

The Series 2012 Bonds will not be a debt of the State nor will the State be liable on them. 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 money received from the University pursuant to the Loan Agreement, from money realized upon a foreclosure of or other realization on the 2012 Mortgage or any security interest in the personal property securing the Loan Agreement, and from amounts held in the funds and accounts established by the Series Resolutions and pledged therefor.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University. The obligations of the University to make payments or cause the same to be made under the Loan Agreement are absolute and unconditional and the amount, manner and time of making such payments are not to 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 University may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever.

Pledged Revenues

As security for its obligations under the Loan Agreement, the University will grant to the Authority a security interest in the Pledged Revenues which the Authority will pledge and assign to the Trustee for the benefit of the Holders of the Series 2012 Bonds. Concurrently with the issuance of the Series 2012 Bonds, the pledge of Pledged Revenues securing the University's obligations under the Refunded Bonds Loan Agreements will be discharged. Following such discharges, the only remaining outstanding pledge of Pledged Revenues will be the pledge of the Pledged Revenues made by the University to the Authority under the 2006 Loan Agreement and the Loan Agreement. The security interest in the Pledged Revenues securing the Series 2012 Bonds will be on a parity with the security interest in such Pledged Revenues securing the 2006 Bonds, and upon the exercise of rights or remedies the Pledged Revenues shall be shared equally and ratably in accordance with the Intercreditor Agreement. Further, the University may, with the consent of the Authority and without the consent of the Trustee or the Bondholders, grant additional parity pledges of such Pledged Revenues, to secure additional indebtedness. See PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Security for the Series 2012 Bonds - Intercreditor Agreement."

Debt Service Reserve Fund

The Series Resolution establishes the Debt Service Reserve Fund for the Series 2012 Bonds to be funded at the time of the delivery of the Series 2012 Bonds. The Debt Service Reserve Fund is to be funded in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2012 Bonds. The Debt Service Reserve Fund Requirement for the Series 2012 Bonds is the lesser of (i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on Outstanding Series 2012 Bonds payable during such calendar year, and the principal and Sinking Fund Installments of Outstanding Series 2012 Bonds payable on September 1 of such calendar year and (ii) \$5,168,243.49, the maximum amount permitted to be funded with proceeds of the Series 2012 Bonds under the Internal Revenue Code of 1986. The Debt Service Reserve Fund is to be held by the Trustee, is to be applied solely for the purposes specified in the Resolution and is pledged to secure the payment of the principal, Sinking Fund Installments and Redemption Price, if any, of and interest on the Series 2012 Bonds. Any payments to be made by the University to restore the Debt Service Reserve Fund are to be made directly to the Trustee for deposit to such Debt Service Reserve Fund. See "Appendix D - Summary of Certain Provisions of the Resolution."

The Mortgages

The obligations of the University under the Loan Agreement will be further secured by the 2012 Mortgage on the Mortgaged Property and by security interests in certain fixtures, furnishings and equipment now or hereafter located in or used in connection with the Mortgaged Property. The Authority intends to assign the 2012 Mortgage and such security interests to the Trustee. The Mortgaged Property initially will comprise certain real property of the University at its Brooklyn Campus and its Post Campus in Nassau County, and will be the same property as the property encumbered by the mortgages securing the 2006 Bonds.

The Original 2006 Mortgage encumbers certain real property owned by the University at its Post Campus (the "Original 2006 Mortgaged Property"), together with security interests in certain fixtures, furnishings and equipment now or hereafter located in or used in connection with the Original 2006 Mortgaged Property. Concurrently with the issuance of the Series 2012 Bonds, the University expects to grant collateral mortgages (the "2006 Collateral Mortgage" and, together with the Original 2006 Mortgage, the "2006 Mortgages") on certain

property of the University at its Brooklyn Campus and a parcel of its property at its Post Campus in Nassau County (the “2006 Collateral Mortgaged Property”) to the Authority to secure the University’s obligations under the 2006 Loan Agreement. The 2006 Collateral Mortgage will be assigned to the 2006 Trustee.

After giving effect to the 2006 Collateral Mortgage, the 2012 Mortgage and the 2006 Mortgages will encumber the same Mortgaged Property.

Pursuant to the Intercreditor Agreement, the property subject to the 2006 Mortgages and the 2012 Mortgage (together with any future mortgages on the Mortgaged Property, the “Mortgages”) may be released, and such Mortgages may be amended, with the prior written consent of the Authority, but without the consent of the Trustee or the holders of the 2012 Bonds. The University may grant liens on the Mortgaged Property on a parity with the 2006 Mortgages and 2012 Mortgage with the prior written consent of the Authority and without the consent of the Trustee or the holders of the 2012 Bonds. The respective rights and remedies of the Authority, the Trustee and the 2006 Trustee with respect to the 2006 Mortgages, the 2012 Mortgage and the Pledged Revenues are governed by the provisions of the Intercreditor Agreement. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Security for the Series 2012 Bonds - Intercreditor Agreement.”

Intercreditor Agreement

The Intercreditor Agreement provides that, until there are no Series 2006 Bonds Outstanding or there are no Series 2012 Bonds Outstanding, or by mutual agreement of the parties thereto, the Series 2006 Bonds and the Series 2012 Bonds are secured equally and ratably as to the lien on the Pledged Revenues and the liens on the property subject to the Mortgages made and given by the University pursuant to the 2006 Loan Agreement and the Loan Agreement and, upon the occurrence of an Event of Default thereunder, neither the 2006 Trustee nor the Trustee shall have a priority of payment over or be subordinate to the other with respect to recovery of any amounts under the Mortgages, the 2006 Loan Agreement or the Loan Agreement. Any party to the Intercreditor Agreement may, without the consent of the other parties thereto, commence an action or proceeding to foreclose a Mortgage whenever and to the extent such party is permitted to do so under the 2006 Loan Agreement, the resolution pursuant to which the Series 2006 Bonds were issued, the Loan Agreement, the Resolutions, the 2006 Mortgages or the 2012 Mortgage, as applicable.

Covenants

The Loan Agreement contains certain covenants of the University wherein the University agrees to the following:

Maintenance Covenants

The University covenants to charge and maintain during each Fiscal Year, student tuition, fees and other charges sufficient to provide a Debt Service Coverage Ratio of 1.25:1.0. On or prior to each Reporting Date, the University is to file with the Authority a certificate of an Authorized Officer of the University 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. Failure to comply with such covenant will not constitute an event of default under the Loan Agreement. However, if on two consecutive Testing Dates the University does not satisfy the Debt Service Coverage Ratio requirement, or in the event the Debt Service Coverage Ratio falls below 1:1 on any Testing Date, the Authority in its discretion may require the University to retain a Management Consultant. As of August 31, 2011, the University’s Debt Service Coverage Ratio was 1.79:1.0.

Commencing with the University’s Fiscal Year ending August 31, 2013, the University covenants to have available on the last day of each Fiscal Year, (a) for Fiscal Years ending August 31, 2013 through 2015, Available Assets at least equal to 40% of outstanding Long-Term Indebtedness, (b) for Fiscal Years ending August 31, 2016 through 2018, Available Assets at least equal to 50% of outstanding Long-Term Indebtedness and (c) for each Fiscal Year thereafter, Available Assets at least equal to 60% of outstanding Long-Term Indebtedness. On or prior to each Reporting Date, the University is to file with the Authority a certificate of an Authorized Officer of the University 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. Failure to comply with such covenant will not constitute an event of default under the Loan Agreement. Rather, if on any Testing Date (x) the University does not satisfy the Available Assets to Debt Ratio requirement, or (y) the percentage decline in the Available

Assets to Debt Ratio from the prior Fiscal Year to the current Fiscal Year is 35% or greater, or (z) 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 50% or greater, the Authority in its discretion may require the University 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. As of August 31, 2011, the University's Available Assets to Debt Ratio was 64%.

Additional Indebtedness

Except as otherwise described below, the University covenants that it will not issue, incur, assume or guarantee any Indebtedness without the prior written consent of the Authority.

The University may issue, incur, assume or guaranty Long-Term Indebtedness without the consent of the Authority provided that (i) it maintains a debt rating in the "BBB/Baa" category without regard for "+" or "-" from at least one Rating Service **and** (ii) (a) such Long-Term Indebtedness issued, incurred, 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 University provides to the Authority a certificate of an Authorized Officer of the University containing *pro forma* calculations demonstrating that the maintenance covenants 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 is to be equal to the projected Maximum Annual Debt Service).

The University, with the prior consent of the Authority, but without the consent of the Trustee or the holders of the Series 2012 Bonds, may issue, incur, assume or guaranty Parity Debt secured by Pledged Revenues and/or mortgage property securing the Series 2012 Bonds, with the execution of an intercreditor agreement, in form and substance satisfactory to the Authority, by and among the Authority, the Trustee and each other creditor with a lien on such Pledged Revenues and/or mortgaged property.

In addition, the University may issue, incur, assume or guaranty (i) Non-Recourse Indebtedness without limitation provided that any assets pledged as collateral or for the repayment of such Indebtedness must have been acquired by the University after the issuance of the Series 2012 Bonds, (ii) Refunding Indebtedness without limitation so long as, after giving effect to such indebtedness, the Annual Debt Service on Long Term Indebtedness would not be increased in any future Fiscal Year, and (iii) Short-Term Indebtedness without limitation if during any 12-month period there will be no outstanding Short-Term Indebtedness for a period of not less than 30 days.

The Authority may amend or waive compliance with, in any respect, the covenants described above without the consent of the Trustee or the holders of Outstanding Bonds. There is no assurance that, despite compliance with the covenants in the Loan Agreement, the ability of the University to make necessary payments to repay the Series 2012 Bonds would not be affected by the issuance of additional indebtedness.

For a more complete description of the financial covenants of the University contained in the Loan Agreement, see "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT."

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 Series 2012 Bond; (iii) a default by the Authority in the due and punctual performance of any covenant or agreement contained in the Resolution to comply with the provisions of the Code necessary to maintain the exclusion of interest on Series 2012 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 Resolution or the Resolution 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 has 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 University under the Loan Agreement have been declared immediately due and payable (unless such

declaration has been annulled). Unless all sums payable by the University under the Loan Agreement are declared immediately due and payable, 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, must 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 have been 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 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, is to 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 University within five days, and to the Holders of the Series 2012 Bonds 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. However, 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 Bonds

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 University. Each Series of Bonds will be separately secured from each other Series of Bonds. Subject to compliance with the conditions to the University's right to incur additional debt, 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 prior to or after the scheduled delivery date of the Series 2012 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Covenants."

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 9 - 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 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 Resolution and will be dated their date of delivery and bear interest from such date (payable March 1, 2013 and on each September 1 and March 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 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 days prior to 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 Manufacturers and Traders Trust Company, 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 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 Optional Redemption

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 are subject to redemption prior to maturity at the option of the Authority on or after September 1, 2022, in any order, as a 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.

The Authority’s obligation to optionally redeem a Series 2012 Bond called for redemption may be conditioned upon the availability of sufficient money to pay the Redemption Price for all of the Series 2012 Bonds to be redeemed on the Redemption Date. If sufficient money is available on the Redemption Date to pay the Redemption Price of the Series 2012 Bonds to be redeemed, 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 Redemption Price. If redemption has been conditioned upon the availability of sufficient money and sufficient money is not available on the Redemption Date for payment of the Redemption Price, the Series 2012 Bonds called for redemption will continue to be registered in the name of the registered owners on the Redemption 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.

Purchase in Lieu of Optional Redemption

The Series 2012 Bonds are also subject to purchase in lieu of optional redemption prior to maturity at the option of the University with the consent of the Authority, on or after September 1, 2022, in any order, as a 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”).

Mandatory Redemption

The Series 2012 Bonds maturing on September 1, 2032 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 Resolutions permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there will be due and the Authority will be required to pay on September 1 of each of the

years set forth below for the retirement of the Series 2012 Bonds of such maturities, the amount set forth opposite such year:

Series 2012 Bonds
Maturing September 1, 2032

<u>Year</u>	<u>Sinking Fund Installment</u>
2028	\$ 3,675,000
2029	860,000
2030	890,000
2031	925,000
2032†	955,000

†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 money in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of the Authority, (C) purchased by the University 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 money 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 September 1. Series 2012 Bonds redeemed at the option of the Authority, purchased by the Authority or the University (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 entitled to such Sinking Fund Installment 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 portion of the project financed with the Refunded Bonds to which such proceeds relate.

Selection of Bonds to be Redeemed

In the case of redemptions of less than all of the Series 2012 Bonds other than through mandatory Sinking Fund Installments, the Authority will select the maturities of the Series 2012 Bonds to be redeemed and 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 considers proper in its discretion.

Notice of Redemption

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 60 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 ten Business Days prior to the date such notice is given. Each notice of an optional redemption will state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of sufficient money 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 money for the redemption of the Series 2012 Bonds 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 such Series 2012 Bonds 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 Redemption and its Effect

Notice of purchase of the Series 2012 Bonds will be given in the name of the University 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 University's obligation to purchase a Series 2012 Bond to be purchased or cause it to be purchased may be 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 purchase has been conditioned upon the availability of sufficient money and 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 of a maturity are to be purchased, the Series 2012 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2012 Bonds of a maturity to be optionally 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 in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual

purchaser of each Series 2012 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, 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 the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to DTC. If less than all of the Series 2012 Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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, redemption premium, if any, 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 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, redemption premium, if any, 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.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2012 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2012 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2012 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee have no responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2012 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2012 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee.

Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor 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 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 in this section concerning DTC and DTC's book-entry 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 Participant acquires an interest in the Series 2012 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS 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 Holders or registered owners of the Series 2012 Bonds (other than under the caption "PART 12 - TAX MATTERS" herein) means Cede & Co., as aforesaid, and does 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 only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will 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 Series 2012 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 Resolutions.

NEITHER THE AUTHORITY, THE UNIVERSITY 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.

PART 4 - THE UNIVERSITY

GENERAL INFORMATION

History

Founded in 1926, Long Island University (the “University”) is a private, multi-campus institution of higher learning in the United States. With undergraduate and graduate enrollment totaling approximately 17,000 students (approximately 15,000 full-time equivalent students) plus an additional 7,000 non-degree students, and with over 600 full-time faculty, the University conducts its programs on six campuses and at a number of other sites throughout the New York City metropolitan area. Two of Long Island University’s campuses are residential: the LIU - Brooklyn Campus (founded in 1926) in downtown Brooklyn, New York, which also contains the Arnold and Marie Schwartz College of Pharmacy and Health Sciences which began operations as a separate entity in 1886, and the LIU - Post Campus in Brookville, Nassau County, New York (founded in 1954). The remaining four are non-residential: the LIU - Brentwood Campus in Brentwood, Suffolk County, New York (founded in 1971); the LIU - Westchester Campus in Westchester County, New York (founded in 1975); the LIU - Rockland Campus in Orangeburg, Rockland County, New York (founded in 1980), and which operates on the State University of New York campus in Purchase, New York (SUNY Purchase); and the LIU - Riverhead Campus in Riverhead, Suffolk County, New York (founded in 2006). There are also a number of educational and cultural programs of the University that are conducted within the colleges, schools, divisions and departments operated on one or more campuses or extensions of the University. The University’s Global College program operates throughout the world in places such as Australia, Costa Rica, India and China.

The University, although primarily a teaching institution, is also a research institution and a cultural resource for the City of New York, Long Island and the New York metropolitan area. A non-sectarian university of access, Long Island University is committed to providing quality, affordable education.

Accreditations and Memberships

The University is accredited by the Middle States Association of Colleges and Schools. All 553 programs at the University that lead to the associate, baccalaureate, masters, doctorate, certificate or advanced certificate are fully registered with the New York State Education Department. Following its reaccreditation review in Spring 2003, the Middle States Commission on Higher Education (the “Commission”) reaffirmed the University’s accreditation for a period of ten (10) years. In November 2008 the Commission accepted the University’s Periodic Review Report and reaffirmed accreditation. The next accreditation evaluation visit is scheduled for Spring 2013. Many of the University’s academic programs are recognized or accredited by specialized agencies and professional associations.

Governance

The University is a corporation organized under the Education and Not-for-Profit Corporation Laws of the State of New York (“State Statutes”). In accordance with the State Statutes and University State Charter (“Charter”), a Board of Trustees (“Board”) is the governing body of the University. The State Statutes vest ultimate authority and responsibility for the University’s academic and business affairs in the Board, which delegates certain management functions to the University’s Officers pursuant to its Bylaws and subject to Board review. The President is the chief executive and operating officer of the University and serves as an ex officio member of the Board.

Administration

The following are brief biographies of the University’s Officers:

David J. Steinberg, President (1985 - present)*. President of the University for the past twenty-seven years, Dr. Steinberg was previously Vice President and University Secretary for Brandeis University from 1973 to 1983. Prior to that he was Executive Assistant to the President at Brandeis University, and from 1964 to 1973 he

* Dr. Steinberg has announced that he will retire as University President on or about August 31, 2013. See “ – Recent Events” for more information.

was a history professor at the University of Michigan. He was a Fulbright Scholar at the University of the Philippines and a Visiting Fellow at Magdelene College, Cambridge, England. Dr. Steinberg received a B.A. from Harvard College in 1959, an M.A. from Harvard University in 1963, and a Ph.D. from Harvard University in 1964. He also holds several honorary degrees. The author of numerous publications, Dr. Steinberg is a renowned scholar of Southeast Asian history.

Jeffrey Kane, Vice President for Academic Affairs (2001 - present). Prior to assuming his present responsibilities, Dr. Kane served for five years as the Dean of the LIU - Post School of Education. Prior to joining Long Island University, Dr. Kane served as the founding Dean of Adelphi University's School of Education for five years. During his years as an administrator, Dr. Kane has continued to maintain an active record of scholarship. As a philosopher, Dr. Kane focuses his research on the relationships between epistemology and learning theory, with particular emphasis on the nature of the imagination. He received a Bachelor's degree from Queens College in 1974, a Master's from Adelphi University in 1975 and his doctorate from New York University in 1982.

Lynette M. Phillips, Vice President for Legal Services and University Counsel (2010-present). Ms. Phillips holds a B.A. with honors from the Johns Hopkins University and a J.D. from the University of Maryland School of Law, and brings a distinguished background in the public and private sectors to her role. After working for Maryland's Departments of Legislative Reference and Labor, Licensing and Regulation, Ms. Phillips moved to DLA Piper's Baltimore office, where she specialized in employment and commercial litigation. Ms. Phillips transferred to DLA Piper's New York office in 1993, later joining the NYS Attorney General's Education Division. From there, she joined Stony Brook University where she served as Associate Counsel.

Gale Stevens-Haynes, Provost – LIU - Brooklyn Campus (1989 - present). Ms. Stevens-Haynes' responsibilities include overall management of the LIU - Brooklyn Campus, budget preparation and control, student affairs, community relations and fundraising. After graduating from the University's Brooklyn Campus, Ms. Stevens-Haynes was employed as the director of the Higher Education Opportunity Program at the University. She was named University Counsel in 1987 before being named the Brooklyn Campus Provost in 1989 and Associate Professor of political science in 1990. She is a member of the New York State Bar Association, the New York State Higher Education Professional Organization, the American Bar Association and the American Council of Education National Identification Program, serving as New York Coordinator. Ms. Stevens-Haynes serves on the Boards of the Downtown Brooklyn Development Council, Brooklyn Hospital and the 651 Arts Council. She received a B.A. in 1972 and a M.S. in 1976 from Long Island University, Brooklyn Campus, a J.D. from St. John's University in 1983, and an honorary doctorate from St. Joseph's College in 1997.

Paul H. Forestell, Provost – LIU - Post Campus (2008-present). Dr. Forestell, a professor of psychology and an internationally renowned marine mammal scientist, is LIU - Post's seventh provost. Dr. Forestell served as vice president of the Pacific Whale Foundation in Hawaii, as dean of undergraduate programs at the Southampton College of Long Island University and as associate dean of the College of Liberal Arts and Sciences at LIU - Post. As provost, Dr. Forestell is responsible for campus operations, program development, admissions and recruitment, retention, financial aid, athletics, student affairs, public safety, and buildings and grounds. A champion of experiential learning, he coordinates study abroad and field research opportunities for students and teaches classes in whale and dolphin behavior. Dr. Forestell holds a bachelor's degree in psychology and philosophy, and a master's degree in experimental psychology from the University of New Brunswick in Canada and a Ph.D. in comparative psychology from the University of Hawaii.

Robert N. Altholz, Vice President for Finance and Treasurer (2003 – present). Mr. Altholz oversees the University's financial affairs. Responsible for developing long- and short-term operating and capital budgets in support of the University's mission, he manages all treasury and central financial administrative functions; maintains banking and investment relationships; and interacts with investment bankers, bond rating agencies and external auditors. A certified public accountant who worked for Ernst & Young and Arthur Andersen, Mr. Altholz began his career in higher education finance at Yale University, primarily serving as assistant comptroller. He then joined Saint Louis University as associate vice president and treasurer, ultimately rising to vice president for finance and business while retaining the title of treasurer. Mr. Altholz holds a B.S. in economics from New York University and an M.B.A. from Bernard Baruch College.

Daniel J. Rodas, Vice President for Planning and Vice President for Human Resources (2003 – present). As the University's chief planning officer Dr. Rodas is responsible for shaping and executing the University's strategic agenda and, directly oversees the University's Office of Institutional Research. In addition, in 2009, President Steinberg appointed Dr. Rodas Vice President for Human Resources. Dr. Rodas previously served

as provost of the University's Southampton Campus (2003-2005). Dr. Rodas came to the Southampton Campus from Duke University, where he served as Assistant Vice President for Administration. Prior to Duke, he held administrative and analytical roles in the provost's office at Stanford University and in academic affairs at Harvard University. He has also held academic appointments at Duke and North Carolina State University. Dr. Rodas received his Bachelor's degree from Williams College (1985), a Master's in Education from Harvard University (1988), as well as an M.B.A. (1993) and Ph.D. (1998) from Stanford University.

George Baroudi, Vice President for Information Technology/Chief Business Improvement Officer (2009 – present). Mr. Baroudi became the University's first Vice President for Information Technology in 2009. Mr. Baroudi offers over 20 years of IT experience including large-scale IT design and management of network/infrastructure, systems design, and development implementation and support. In addition to his IT management experience, Mr. Baroudi has expertise in: organizational development and transformation incorporating strategic business process re-engineering, change management, and process improvements. Mr. Baroudi directed the implementation of the recently completed enterprise-wide resource planning Oracle PeopleSoft system for the University. Mr. Baroudi holds a B.S. in electrical engineering from Polytechnic Institute of New York.

Board of Trustees

The following is a list of the 37 current members of the Board of the University and for each, his or her office (if any) and professional affiliation. Board terms are staggered and there is no limit to the number of consecutive terms that may be served.

Edward Travaglianti, Chairman*
President, TD Bank Long Island

Thomas L. Pulling, Senior Vice Chair*
Retired Managing Director
The Citigroup Private Bank

Steven J. Kumble H'90, Secretary*
Chairman
Corinthian Capital Group, LLC

Linda E. Amper '78, '85
Senior Vice President, Human Resources
Optimer Pharmaceuticals, Inc.

Roger L. Bahnik
Chairman & CEO
Mill-Max Mfg. Corp.

Stanley F. Barshay '60
Retired Chairman
Shering-Plough Health Care Products

Mark A. Boyar '65
President, Mark Boyar & Company

John R. Bransfield, Jr.
President, Roslyn Savings Bank
Division of NY Community Bank

Roland A. DeSilva '62
Managing Partner
DeSilva & Phillips, LLC

Michael P. Devine '68
President & COO
Dime Community Bancshares and
The Dime Savings Bank of Williamsburgh

Michael M. Emmerman '67*
Managing Director
Neuberger Berman, LLC

George L. Engelke, Jr.*
Retired Chairman & CEO
Astoria Federal Savings & Loan Assn.

Daniel B. Fisher '67
Retired Secretary-Treasurer
Fisher Brothers Manufacturing Jewelers

Peter W. Gibson '82
Co-CEO and Co-President
Knowledge Group, Inc

Michael P. Gutnick '68
Senior Vice President, Finance, and Assistant
Treasurer
Memorial Sloan-Kettering Cancer Center,
Memorial Hospital for Cancer and Allied
Diseases and Sloan-Kettering Institute for Cancer
Research

Steven S. Hornstein '80
Managing Partner & CIO
Global Credit Advisers, LLC

Alfred R. Kahn '84, H'05*
Crane Kahn

Shirley Strum Kenny*
Retired President, Stony Brook University

Eric Krasnoff*
Retired Chairman, President & CEO
Pall Corporation

Leon Lachman*
Chairman of the Board & CEO
Lachman Consultant Services, Inc.

Brian K. Land '86
Senior Vice President – Sales
David Shuldiner Inc.

David H. Lipka
Executive Director
Corinthian Capital, LLC

Howard M. Lorber '70, '91, H'01*
President & CEO
Vector Group Ltd.

Angelo J. Mangia
Former President & CEO
Standard Funding Corp.

Michael Melnicke
Operator/Administrator
Rockaway Care Center

Theresa Mall Mullarkey *Chancellor*
*LIU-Post Campus**
Former President
Mall Associates

Salvatore Naro '83
CEO
Coherence Capital Partners LLC

Richard P. Nespola '67, '73*
Former Chairman & CEO
The Management Network Group, Inc.

William R. Nuti '86
President & CEO
NCR Corporation

Joel Press '68 *Chancellor*
*LIU-Brooklyn Campus**
Press Management LLC

Edward Shorin H'99 *Chancellor*
*LIU-Brentwood Campus**
Former Officer & Director
Topps Chewing Gum

Harvey Simpson*
Retired Vice Chairman
NAB Construction

Martin Sperber
Retired Chairman & CEO
Schein Pharmaceutical, Inc.

David J. Steinberg*
President, Long Island University

Sharon Sternheim
President
Zitomer/Thriftway Drug Corp.

Ronald J. Sylvestri '66 *Chancellor*
*LIU-Rockland/LIU-Westchester Campuses**
Senior Vice President/Regional Mgr.
Hudson Valley Bank

Rosalind P. Walter H'83*
Executive Board Member
Program & Education Committees
Channel 13/WNET

* Member of the Executive Committee.

Recent Events

After 27 years of leadership, University President David Steinberg has announced that he will retire on or about August 31, 2013. A trustee search committee has been established and is responsible for identifying a candidate or candidates to be presented to the full Board of Trustees. To facilitate the search process, the University has engaged a national executive search firm specializing in senior-level searches in higher education and health care. The trustee search committee will communicate with and receive advice from a presidential search advisory committee composed of the leadership of the three academic senates, the heads of the faculty collective bargaining units, as well as student leaders and selected staff.

OPERATING INFORMATION

Undergraduate Student Applications and Admissions

For the two residential campuses of the University, the following table identifies, for the fall semester of the calendar years indicated, the number of undergraduate applicants for admission received, the number of acceptances and the number of new students enrolled. In addition, total new undergraduate acceptance and matriculation rates are noted.

FRESHMAN ADMISSION STATISTICS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
LIU-Brooklyn Campus					
<i>Freshman</i>					
Applied	4,971	4,872	4,543	4,345	4,268
Accepted	3,595	3,582	3,329	3,484	3,578
Enrolled*	1,112	1,049	1,046	939	1,049
<i>Transfer</i>					
Applied	2,224	2,319	2,433	2,836	2,789
Accepted	1,260	1,203	1,190	1,397	1,286
Enrolled*	561	488	498	634	594
<i>Total New</i>					
Applied	7,195	7,191	6,976	7,181	7,057
Accepted	4,855	4,785	4,519	4,881	4,864
Enrolled*	1,673	1,537	1,544	1,573	1,643
Acceptance Rate	67.5%	66.5%	64.8%	68.0%	68.9%
Matriculation Rate	34.5%	32.1%	34.2%	32.2%	33.8%
LIU-Post Campus					
<i>Freshman</i>					
Applied	5,186	5,414	4,923	6,570	7,372
Accepted	4,570	4,384	4,052	5,374	5,948
Enrolled*	1,092	956	862	900	947
<i>Transfer</i>					
Applied	1,323	1,314	1,275	1,493	1,723
Accepted	1,132	1,173	1,133	1,279	1,436
Enrolled*	483	550	459	538	542
<i>Total New</i>					
Applied	6,509	6,728	6,198	8,063	9,095
Accepted	5,702	5,557	5,185	6,653	7,384
Enrolled*	1,575	1,506	1,321	1,438	1,489
Acceptance Rate	87.6%	82.6%	83.7%	82.5%	81.2%
Matriculation Rate	27.6%	27.1%	25.5%	21.6%	20.2%

* Enrolled figures are as of the second week of classes.

As of August 3, 2012, (i) new Freshmen and transfers enrolled for the Fall 2012 term total 2,430 compared to 2,468 on the same date in the prior year; (ii) applications for the Fall 2012 term were estimated (in an amount equal to 81% of all inquiries) to total 15,454 compared to 15,341 on the same date in the prior year; (iii) acceptances for the Fall 2012 term total 11,921 compared to 11,649 on the same date in the prior year; (iv) the acceptance rate for the Fall 2012 term was 77.1%, compared with 75.9% on the same date in the prior year and (v) the matriculation rate for the Fall 2012 term was 20.4% compared to 21.2% on the same date in the prior year.

Student Enrollment

The following table shows enrollment (full-time equivalent students) at the University in the fall term for the past five calendar years:

ENROLLMENT SUMMARY

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Undergraduate					
LIU-Brooklyn	5,019	4,543	4,617	4,712	4,841
LIU-Post	4,831	4,672	4,315	4,272	4,220
Regional Campuses	<u>62</u>	<u>40</u>	<u>49</u>	<u>63</u>	<u>68</u>
Total	9,912	9,255	8,981	9,047	9,129
Graduate					
LIU-Brooklyn	2,292	2,486	2,512	2,657	2,730
LIU-Post	2,080	2,183	2,302	2,179	2,012
Regional Campuses	<u>1,190</u>	<u>1,116</u>	<u>1,176</u>	<u>1,060</u>	<u>846</u>
Total	5,562	5,785	5,990	5,896	5,588
Total Undergraduate & Graduate					
LIU-Brooklyn	7,311	7,029	7,129	7,369	7,571
LIU-Post	6,911	6,855	6,617	6,451	6,232
Regional Campuses	<u>1,252</u>	<u>1,156</u>	<u>1,225</u>	<u>1,123</u>	<u>914</u>
Total	15,474	15,040	14,971	14,943	14,717

University-wide headcount enrollments* are shown below:

Full-time students	12,404	11,961	11,906	12,092	11,948
Part-time students	<u>5,643</u>	<u>5,720</u>	<u>5,690</u>	<u>5,363</u>	<u>5,045</u>
Total	18,047	17,681	17,596	17,455	16,993

*Enrollment figures are as of the second week of classes and exclude high school students.

University undergraduate FTE enrollment declined from 9,912 in 2007 to 8,981 in 2009 as a result of a number of factors including the gradual reduction of former Southampton College students remaining enrolled at other campuses within the University after termination of programming at the Southampton College campus after the conclusion of the 2004-05 academic year, increased admissions requirements within the School of Pharmacy, and the national recession which began in 2008.

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Student Tuition

Tuition Rates

The following table presents a summary of tuition rates at the University for each of the following five academic years ending August 31:

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Undergraduate Per Credit	\$771	\$814	\$854	\$896	\$938
Undergraduate Per Semester	\$12,350	\$13,045	\$13,684	\$14,355	\$15,023
Graduate Per Credit	\$835	\$882	\$930	\$982	\$1,028

Fiscal year 2013 rates have been increased approximately 3.85% over fiscal year 2012 to \$974 Undergraduate per credit, \$15,601 Undergraduate per semester and \$1,068 Graduate per credit.

Student Financial Aid

During fiscal year 2011, approximately \$306 million in combined federal, state and institutional aid was awarded to over 15,000 students at the University. The administration and delivery of financial aid is managed by the Associate Vice President for Student Financial Services and a Dean or Director, at each of the two residential campuses.

Students are offered financial aid packages based on their financial need. Students who are the neediest receive a higher proportion of grant aid, while the less needy are offered a larger share of loans. Students are also offered various on-campus work/study positions where they earn their financial aid awards and gain work experience.

The University offers various institutional grants and scholarships to new freshman and transfer students whose academic performance warrants recognition. Those students who maintain their high academic performance at the University receive grants and scholarships throughout their undergraduate career.

The University is one of the largest participants in the New York State Higher Education Opportunity Program. Students in this Program are provided with a full range of developmental courses throughout the academic year to strengthen basic skills and abilities, tutoring, individual counseling, academic and career advisement, special workshops and financial assistance. In addition, the University offers residential summer sessions for freshman students to familiarize them with the campus and to provide educational instruction and tutoring in subjects such as mathematics, science, social sciences, computers and written and oral skills, along with a full range of counseling and advisement services.

The University also has a Cooperative Education Program where the participants help meet their educational expenses through part-time or full-time employment related to their career objectives.

With its modest endowment, the University's principal revenue source is tuition and fee revenue, which constituted 84% of total unrestricted revenue, gains and other support in fiscal year 2011. Institutionally funded and administered financial aid was 22% of gross tuition and fee revenue in fiscal year 2011. As is indicated in the following chart, for the fiscal year 2011, total financial aid administered by the University was approximately \$306 million, \$84 million of which was funded by the University.

The following chart summarizes the sources of financial aid for the past five fiscal years by dollar amount and identifies the corresponding percentage of the University student body which received some form of financial aid.

SOURCES OF SCHOLARSHIP AND GRANT AID
Fiscal Years Ended August 31,
(in thousands)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State Funds	\$15,848	\$13,871	\$13,597	\$13,048	\$12,599
Federal Funds	19,439	19,854	19,848	24,360	25,591
Direct Student Loans	121,526	127,740	146,819	172,842	183,561
Scholarships and Fellowships	<u>58,901</u>	<u>61,045</u>	<u>68,018</u>	<u>73,271</u>	<u>83,958</u>
Total	\$215,714	\$222,510	\$248,282	\$283,521	\$305,709
% of Student Body Receiving Aid	71%	72%	77%	78%	78%

Over this five-year period of time, tuition rate increases have significantly exceeded the \$2.9 million increase in financial aid funded by the federal and state governments. During this same period of time, the University has increased the amount of institutional financial aid that it has awarded by \$25.1 million.

Faculty

Faculty at the University include individuals holding academic rank (i.e., Professor, Associate Professor, Assistant Professor, Instructor) and persons in visiting, adjunct or emeritus status in any of these ranks. The University's Regional Campuses (Brentwood, Riverhead, Rockland and Westchester) are staffed by full-time faculty and are supplemented by adjunct faculty.

The following chart reflects the number of University faculty for the Fall of the last three years:

FACULTY PROFILE

<u>Fiscal Year</u>	<u>Full-Time Faculty</u>	<u>Part-Time Faculty</u>	<u>Total Faculty</u>	<u>Full-Time Equivalent Faculty*</u>	<u>Percent of Full-Time Faculty Tenured</u>
2009-10	621	1,131	1,752	1,187	64
2010-11	633	919	1,552	1,093	63
2011-12	630	966	1,596	1,113	63

**The sum of all full-time faculty plus one-half of part-time faculty.*

Employee Relations

The University's work force includes various groups that are represented by collective bargaining units. There are four collective bargaining units representing faculty at the University's campuses, one representing non-supervisory administrative staff at one campus, two representing secretarial, clerical, technical and paraprofessional staff, five representing maintenance, one representing public safety personnel and two representing custodial employees. Current union membership totals approximately 1,600, two-thirds of whom are members of the four faculty unions while the remaining one-third are members of non-faculty unions. The current agreements with the faculty expire September 2016. While each contract is individually bargained, wages and fringe benefits are at parity within the faculty-"like" units. In addition, wages and fringe benefits are generally comparable to those bargained at other similarly situated institutions in the New York Metro area. Generally, the collective bargaining agreements are of three to five year duration and are scheduled for renegotiation at the rate of approximately five per year. Several of the collective bargaining agreements have expired or are subject to continuing negotiations, including the custodial union contract at the Brooklyn campus, covering 59 employees (expired on December 31, 2011; no new agreement to date); the clerical union contract, covering 251 employees at both the Brooklyn and Post campuses (expired on February 29, 2012; still in negotiations); the administrators union contract, covering 69 employees at the Post campus (expired April 30, 2012; still in negotiations); and the operating engineers contract, covering 51 employees at both the Brooklyn and Post campuses (expired August 31, 2010; no new agreement to date). The custodial union contract at the Brooklyn campus, covering 81 employees, is scheduled to expire on September 30, 2012. The University has approximately 3,500 employees in total.

ANNUAL FINANCIAL STATEMENT INFORMATION

Financial Information

The University's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The following table summarizes the University's statement of financial position for the last five fiscal years. This summary is derived from the audited financial statements of the University for such periods and should be read in conjunction with such financial statements. The audited financial statements of the University as of and for the years ended August 31, 2011 and 2010 are included in Appendix B of this Official Statement.

Statement of Financial Position Fiscal Year Ended August 31, (in thousands*)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
ASSETS					
Cash and Cash Equivalents	\$27,319	\$35,506	\$42,014	\$46,682	\$35,190
Investments, at fair value	98,820	96,676	81,616	85,722	82,067
Property, Plant and Equipment, net	316,636	316,786	321,745	318,968	328,478
Other Assets	73,533	75,754	58,500	56,104	60,270
Total Assets	\$516,307	\$524,722	\$503,875	\$507,476	\$506,005
LIABILITIES AND NET ASSETS					
Liabilities					
Current Liabilities	56,489	77,379	69,085	76,540	78,631
Long-Term Bonds Payable	152,310	150,138	145,851	141,674	131,995
Other Liabilities	71,213	73,124	91,025	92,481	92,851
Total liabilities	\$280,013	\$300,640	\$305,961	\$310,695	\$303,477
Net Assets					
Unrestricted Net	194,436	181,370	153,945	152,792	149,192
Temporarily Restricted	4,861	2,527	2,548	2,456	7,673
Permanently Restricted	36,998	40,185	41,421	41,533	45,663
Total Net Assets	236,295	224,082	197,914	196,781	202,528
TOTAL LIABILITIES AND NET ASSETS	\$ 516,307	\$ 524,722	\$ 503,875	\$ 507,476	\$ 506,005

*numbers may not add up due to rounding.

The following table summarizes the University's statements of unrestricted revenue, expenses and other changes in unrestricted net assets and statements of changes in net assets for the last five fiscal years. This summary is derived from the audited financial statements of the University for such periods and should be read in conjunction with the University's financial statements included in Appendix B of this Official Statement.

**Statement of Unrestricted Revenue, Expenses and
Other Changes in Unrestricted Net Assets
and Statements of Changes in Net Assets
Fiscal Year Ended August 31,
(in thousands)**

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Changes in unrestricted net assets					
<i>Revenues, gains and other support:</i>					
Tuition and fees, net*	\$292,702	\$300,398	\$298,502	\$311,269	\$315,526
Sales and services of auxiliary enterprises	24,081	25,929	26,345	26,500	26,937
Government grants and contracts	13,872	14,769	13,578	13,832	15,670
Private gifts and grants, net	5,997	5,772	6,317	3,735	3,513
Investment income	7,736	5,490	6,320	4,624	3,475
Gain on Sale of Southampton campus	6,604	-	-	-	-
Other	<u>9,652</u>	<u>9,304</u>	<u>11,295</u>	<u>9,642</u>	<u>10,024</u>
	\$360,644	\$361,662	\$362,357	\$369,602	\$375,145
Net assets released from restrictions	<u>3,572</u>	<u>2,905</u>	<u>1,250</u>	<u>1,053</u>	<u>2,433</u>
Total unrestricted revenues, gains, losses and other support	<u>\$364,216</u>	<u>\$364,567</u>	<u>\$363,607</u>	<u>\$370,655</u>	<u>\$377,578</u>
<i>Expenses:</i>					
Salaries and benefits	\$247,122	\$250,060	\$254,122	\$251,200	\$259,242
Supplies, repairs, utilities, and other expenses	86,632	92,867	81,847	88,322	94,599
Depreciation and amortization	12,814	13,552	13,963	14,959	16,021
Interest expense	<u>5,282</u>	<u>8,046</u>	<u>6,872</u>	<u>7,568</u>	<u>7,609</u>
Total expenses	<u>\$351,850</u>	<u>\$364,525</u>	<u>\$356,804</u>	<u>\$362,049</u>	<u>\$377,471</u>
Increase in unrestricted net assets from operating activities	\$12,366	\$42	\$6,803	\$8,606	\$107
<i>Non-Operating Activity:</i>					
Investment return net of amounts designated for operations	\$3,015	(\$9,923)	(\$17,021)	(\$823)	\$532
Other, net	<u>(1,622)</u>	<u>(3,186)</u>	<u>(17,206)</u>	<u>(8,936)</u>	<u>244</u>
Total non-operating	<u>\$1,393</u>	<u>(\$13,109)</u>	<u>(\$34,227)</u>	<u>(\$9,759)</u>	<u>\$776</u>
<i>Changes in accounting principles</i>	<u>(\$7,230)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,483)</u>
Increase (decrease) in unrestricted net assets	\$6,529	(\$13,067)	(\$27,424)	(\$1,153)	(\$3,600)
Increase (decrease) in temporarily restricted net assets	(\$3,139)	(\$2,334)	\$21	(\$92)	\$5,217
Increase in permanently restricted net assets	<u>\$4,704</u>	<u>\$3,188</u>	<u>\$1,235</u>	<u>\$112</u>	<u>\$4,130</u>
Total increase in net assets	\$8,094	(\$12,213)	(\$26,168)	(\$1,133)	\$5,747
Net assets at beginning of year	<u>228,201</u>	<u>236,295</u>	<u>224,082</u>	<u>197,914</u>	<u>196,781</u>
Net assets at end of year	<u>\$236,295</u>	<u>\$224,082</u>	<u>\$197,914</u>	<u>\$196,781</u>	<u>\$202,528</u>

Source: Audited financial statements of the University.

* Percentage discount is 16%, 18%, 19%, 20% and 22%, respectively for FYs 2007, 2008, 2009, 2010 and 2011, respectively.

No assurance can be given that the future results of the University will reflect past performance.

The table below reflects the University's revenues, gains and other support and expenses (exclusive of designated and restricted accounts) for the eleven month periods ended July 31 of the current and preceding years.

**Schedule of Revenues, Gains and
Other Support and Expenses
for the 11 Months Ended July 31, 2011 and 2012
(in thousands)**

	<u>Actual Eleven Months Ended 7/31/11</u>	<u>Actual Eleven Months Ended 7/31/12</u>
<i>Revenues, gains and other support:</i>		
Tuition and fees, net	\$321,539	\$327,660
Sales and services of auxiliary enterprises	26,626	28,851
Government grants and contracts	1,603	1,139
Private gifts and grants, net	755	763
Investment income	2,277	2,161
Other	<u>7,354</u>	<u>7,597</u>
Total revenues, gains and other support	\$360,154	\$368,531
<i>Expenses:</i>		
Salaries and benefits	\$227,927	\$229,855
General expense	77,024	82,349
Depreciation and amortization	12,539	13,437
Interest expense	<u>6,665</u>	<u>6,208</u>
Total expenses	\$324,145	\$331,849
Net increase	<u>\$36,009</u>	<u>\$36,682</u>

Source: Derived from the general ledger of the University for the eleven month periods ended July 31, 2011 and 2012.

Almost all fiscal year revenues are recorded as of the end of July in each year, while operating expenses continue to be recorded throughout the entire fiscal year. The schedule of revenues, gains and other support and expenses presented above, is not presented in accordance in general accepted accounting principles (GAAP), as it does not include certain designated and restricted accounts and does not reflect certain deferrals of revenue and accruals of expenses that would be required for a fully GAAP presentation. The University's operating expenses (exclusive of designated and restricted funds) were \$38 million in August 2011. The University anticipates operating expenses for the month of August 2012 to be approximately \$36 million. Management anticipates the University will close FY 2012 with an increase in unrestricted net asset from operating activities; however, the amount, if any, will not be known until the annual audit is completed.

Budgeting Procedures

The development of the University's annual operating budget is a process which seeks to balance and optimize resource generation (primarily student charges for tuition, room and board) with the allocation of such resources to thoughtfully and intelligently fund the University's academic programs, its auxiliary activities and the required administrative support. The budget addresses, and seeks to fund to the extent possible, the priorities as determined by the University strategic planning process.

The budget is completed by the University Officers in the Spring and is then submitted to the Budget and Finance Committee of the Board of Trustees and, ultimately, to the full Board for consideration and adoption. After adoption of the budget, regular reports are provided by the Administration to the Budget and Finance Committee and the full Board indicating projections for the year vis-à-vis the approved budget along with any modifications to the approved budgeted expenditures if any unfavorable revenue variances are predicted.

On June 18, 2012 the University's Board of Trustees approved the proposed FY 2013 budget which consisted of budgeted revenues of \$388.6 million, budgeted expenses of \$384.0 million, resulting in a budgeted operating surplus of \$4.6

million. Several factors can affect the budgeted amounts including, but not limited to, changes in enrollment and unanticipated expenses. Budgeted contingencies have been incorporated in the budget to mitigate such factors if they were to occur.

Management Discussion of Recent Financial Performance

The University generated operating surpluses during each of the five fiscal years ended August 31, 2007 – 2011, totaling \$25.2 million. Such surpluses have fluctuated from year to year, including a \$107,000 surplus in 2011, down from \$8.6 million in 2010. Such fluctuations result from a number of factors, including enrollment changes, institutional financial aid strategies required in part to address reduced Federal and State support, numerous technology initiatives, increased costs of fringe benefits (particularly health care costs), utility costs and the necessity to expend budgeted contingencies for unanticipated circumstances. These results were realized despite the fact that FTE enrollments declined from 15,474 to 14,717 during the period and institutionally-provided financial aid was increased by \$25.1 million in large part to offset reductions in State financial aid and modest increases in Federal financial aid. Tuition increases averaging about 5% per year during the period combined with significant cost control measures allowed the University to realize operating surpluses of this magnitude. The decline in enrollments is almost entirely reflective of reduced enrollments at the University’s Schools of Education located at the Post, Brooklyn and regional campuses. This decline is consistent with staff reductions in K – 12 schools throughout the country and in the New York metropolitan area in particular.

Non-operating losses were sustained during the period primarily as a result of an approximately \$24 million reduction in the value of the Endowment Fund and changes in the fair value of the interest rate swap agreements of approximately \$17 million, though neither of these events had a material impact on University operating activity.

During the five fiscal years ended August 31, 2007 – 2011, the University invested approximately \$104.6 million into its physical plant - approximately half of which was funded by a portion of the proceeds of the 2006 Bonds – in order to address important modernization needs, deferred maintenance and for the construction of some new facilities. During this same time period, long term bonds payable were reduced from \$152.3 million to \$132 million.

Investments

The Investment Committee of the Board (the “Investment Committee”), is vested with the authority to establish the investment objective for the Endowment Fund and the strategy to achieve that objective. The objective, as stated in the Investment Policy established by the Investment Committee, is “...to earn a total rate of return over a market cycle to maintain and enhance the purchasing power of the Fund. This objective shall be sought while controlling investment risk through appropriate diversification among asset classes and among managers with asset classes”.

Effective January 1, 2012 the Investment Committee retained Global Endowment Management LP (“GEM”) as the University’s Chief Investment Officer outsourcing firm to manage the Endowment Fund. GEM, which was founded in 2007, is a private investment partnership offering an endowment-style investment program primarily to institutional investors and was selected for this role by the Investment Committee after a thorough, national search that included numerous firms. GEM provides monthly performance reporting and meets with the Investment Committee as required by the Committee.

Under this arrangement, while the Investment Committee of the Board of Trustees retains ultimate authority and responsibility with respect to adherence to the University’s investment policy, GEM has been delegated full discretion with respect to asset allocation and manager selection and effects this discretion through a singular investment vehicle which is comprised of 124 investment managers from a variety of asset classes and six internally managed strategies.

GEM’s target asset allocation policy is:

Equity	37.5%
L/S equity	17.5%
Real assets	12.5%
Commodities/Resources	7.5%
Credit/Special Situations	5.0%
Absolute return	10.0%
Fixed income	<u>10.0%</u>
Total	100.0%

The following table reflects total permanently restricted endowment net assets, temporarily restricted net assets and unrestricted net assets designated for long-term investment, for the previous five fiscal years ended August 31, in thousands:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Unrestricted Net Assets--					
Designated for Long-Term Investment	\$57,897	\$48,614	\$34,634	\$35,870	\$31,591
Temporarily Restricted*	-	-	-	-	4,305
Permanently Restricted Net Assets	<u>35,950</u>	<u>38,759</u>	<u>40,724</u>	<u>41,139</u>	<u>45,207</u>
Total	\$93,847	\$87,373	\$75,358	\$77,009	\$81,103

*This amount represents the accumulated net appreciation of donor-restricted endowment funds, reported in accordance with the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), N-PCL § 553 enacted on September 17, 2011. It may be appropriated by the Board to support the operating budget of the University after considering the prudent spending standards prescribed by NYPMIFA. In addition, NYPMIFA allows institutions to spend endowment funds below their original dollar amount ("historic dollar value") without court approval or Attorney General review, if the institution's Board concludes that such spending is prudent after applying the aforementioned spending standards.

By policy, effective September 1, 2011, 4.5% of the 5 year average quarterly market value of the University's Endowment Fund ("spending amount") will be used annually to support the operating budget of the University.

The spending amount from permanently restricted funds in the Endowment Fund is used as directed by the respective donors principally for scholarships, library acquisitions and the operation of the Tilles Center, the University's performing arts center on the LIU-Post campus.

The market value of the Endowment Fund was approximately \$78.4 million as of June 30, 2012.

Gifts, Grants and Bequests

Gifts, grants and bequests received by the University for the previous five fiscal years ended August 31, in thousands.

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Unrestricted Net Assets	\$5,996,663	\$5,772,449	\$6,316,690	\$3,734,518	\$3,513,398
Temporarily Restricted Net Assets	1,301,424	781,543	1,302,553	982,527	2,784,735
Permanently Restricted Net Assets	<u>3,767,193</u>	<u>3,178,106</u>	<u>1,235,158</u>	<u>780,740</u>	<u>4,051,034</u>
Total	<u>\$11,065,280</u>	<u>\$9,732,098</u>	<u>\$8,854,401</u>	<u>\$5,497,785</u>	<u>\$10,349,167</u>

The University has embarked on four mini fundraising campaigns for a total goal of \$27 million over the next few years. As of August 7, 2012, \$13.3 million has been raised toward that goal. The campaigns will be dedicated to building an endowment for the maintenance of the performing arts center, renovation of two athletic facilities and a \$12 million campaign for the 125th anniversary of the College of Pharmacy in Brooklyn. The success of the fundraising campaign is subject to a number of conditions and no assurance can be given that the goals will be achieved or that the funds raised will not be donor restricted.

Government Grants and Contracts

Total federal and state grants, which primarily provide educational support for our students are summarized below for the previous five fiscal years ended August 31, in thousands:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Federal	\$8,054	\$8,023	\$7,433	\$8,958*	\$9,128*
State	<u>6,151</u>	<u>6,746</u>	<u>6,145</u>	<u>4,874</u>	<u>6,542</u>
Total	\$14,205	\$14,769	\$13,578	\$13,832	\$15,670

*The notable increase in fiscal years 2010 and 2011 from the preceding years is partially the result of awards and grants through the American Recovery and Reinvestment Act of 2009.

Plant Facilities

The following table summarizes the net carrying value of the University's land and campus improvements, buildings and improvements and furniture, equipment and other plant assets for the last five fiscal years ended August 31, in thousands:

<u>INVESTMENT IN PLANT</u>					
Fiscal Years Ended August 31,					
(in thousands)					
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Land and Campus Improvements	\$16,116	\$16,116	\$16,099	\$16,099	\$16,099
Buildings and Improvements	387,547	391,455	406,432	422,543	434,349
Furniture, Equipment & Plant Assets	<u>58,317</u>	<u>59,981</u>	<u>61,035</u>	<u>62,440</u>	<u>64,186</u>
Subtotal	\$461,980	\$467,552	\$483,566	\$501,082	\$514,634
Less: Accumulated Depreciation	<u>(147,380)</u>	<u>(158,933)</u>	<u>(171,073)</u>	<u>(184,508)</u>	<u>(198,800)</u>
Net Carrying Value	\$314,600	\$308,619	\$312,493	\$316,574	\$315,834
Plus: Construction in Progress	<u>2,036</u>	<u>8,167</u>	<u>9,252</u>	<u>2,394</u>	<u>12,644</u>
Total	<u>\$316,636</u>	<u>\$316,786</u>	<u>\$321,745</u>	<u>\$318,968</u>	<u>\$328,478</u>

Outstanding Indebtedness

The following chart sets forth the University's outstanding principal amount of the long-term indebtedness as of August 31, 2011, in thousands:

<u>OUTSTANDING INDEBTEDNESS</u>				
(in thousands)				
<u>Dormitory Authority of the State of New York</u>	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Initial Principal Amount</u>	<u>Outstanding Balance (as of 8/31/11)</u>
Series 1999 Bonds*	1999	2029	\$45,355	\$31,673
Series 2003A Bonds *	2003	2032	16,350	14,325
Series 2003B Bonds *	2003	2028	23,650	19,865
Series 2006 Bonds	2006	2036	<u>72,600</u>	<u>64,730</u>
Total			\$157,955	\$130,593
Other Bonds Payable	1966	2016	6,610	345
Notes Payable	2008	2014	<u>2,228</u>	<u>1,057</u>
Total			<u>\$166,793</u>	<u>\$131,995</u>

Dormitory Authority of the State of New York

*To be refunded with proceeds of the Series 2012 Bonds.

The Series 2006 Bonds were issued by the Authority on September 1, 2006 in two subseries (Subseries 2006A-1 and Subseries 2006A-2). The Subseries 2006A-1 Bonds (\$30.0 million as of August 31, 2011) are currently being held by a bank in the bank purchase mode. The Subseries 2006A-2 Bonds (\$34.7 million as of August 31, 2011) currently bear interest at a weekly rate mode. A bank letter of credit provides credit enhancement and liquidity support for the Subseries 2006A-2

Bonds. The Series 2006 Bonds are secured by a pledge of all the University's unrestricted revenues and mortgages on certain of the University's properties. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS – Security for the 2012 Bonds – Pledged Revenues" and "-The Mortgages." The University also entered into three interest rate exchange agreements in connection with the Series 2006 Bonds (see "PART 4 – THE UNIVERSITY - Interest Rate Exchange Agreements").

Other Bonds Payable

Bonds payable consist of general obligations of the University, payable in annual installments to maturity at various dates through 2016 with annual interest rates ranging from 3% to 3-5/8%. The bonds are secured by first mortgages on buildings and sites and by liens on and pledges of project revenues and tuition and fees. The bond indentures require certain deposits to bond and interest sinking funds. In addition, annual payments to maintenance and equipment reserve funds are required from any net revenues that may be derived from certain of the mortgages facilities.

Note Payable

In 2008, the University entered into a \$2.2 million noninterest bearing promissory note payable monthly in the amount of \$28,563 through September, 2014 to finance the rehabilitation of elevators at the Brooklyn campus.

Interest Rate Exchange Agreements

The University entered into three interest rate exchange agreements with Piper Jaffray Financial Products Inc. (the "Counterparty"), consisting of a standard International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement and an accompanying schedule, a credit support annex with Morgan Stanley Capital Services Inc. (pursuant to a replacement swap undertaking entered into as credit support for the Counterparty's obligations under the interest rate exchange agreements) and a confirmation (the "Interest Rate Exchange Agreements"), to hedge the University's interest rate exposure on its variable rate Series 2006 Bonds. The Interest Rate Exchange Agreements provide that the University will pay the Counterparty interest on notional amounts equal to \$69,455,000 at fixed rates of 3.408%, 3.635% and 3.995%, respectively. The Counterparty will pay the University a variable rate of interest on such notional amounts equal to 68% of the one-month or three month London InterBank Offered Rate ("LIBOR"). The Interest Rate Exchange Agreements provide that the notional amounts will be reduced in the same amount and at the same time the corresponding principal of the Series 2006 Bonds is scheduled to be paid upon redemption or at maturity.

Under certain circumstances, the Interest Rate Exchange Agreements may be terminated, at which time the University may be required to make a termination payment to the Counterparty. The obligation of the University to make any such interest rate exchange payments, including termination payments, will be unsecured obligations of the University.

Under the credit support annex, the University could be required to post collateral depending on its debt rating and the combined market valuation of the swaps. At the BBB-/Baa3 rating level, the collateral posting threshold is a market valuation exceeding negative \$15 million with a \$1 million minimum transfer amount. As of July 31, 2012 the University had posted collateral of \$10.2 million.

At August 31, 2011, the fair value of the Interest Rate Exchange Agreements was a liability of \$18.0 million. The fair value represents the estimated amount the University would have had to pay to terminate the agreements if it had chosen to do so on that date.

Insurance and Risk Management

The University is required under the Loan Agreement to maintain insurance covering risks customarily insured against by similar educational institutions in the State, including public liability and worker's compensation insurance. Such insurance is subject to annual reviews and is actively bid as market conditions and University requirements warrant to ensure proper coverage and competitive pricing.

The University's insurance program takes advantage of deductibles, self-insured retentions and competitive bidding in combination with risk transfer mechanisms. The University has also implemented University employee safety programs, and facility and labor safety programs.

Future Capital Plans

Currently, the University does not plan to seek any long-term debt financing in the next three years but does not rule out the possibility should the need or the opportunity arise. Capital investments made during this period are expected to be funded from internal resources or gifts.

Pension and Retirement Plans

Long Island University's current retirement plan, established in 1955, is funded through individually-owned annuities issued by two companion organizations, Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF). Both participant and University contributions are made to annuity contracts and mutual funds administered by TIAA-CREF. All full-time employees are eligible to participate in the University's retirement plan on their first day of employment. After reaching age 26 and completing one year of service voluntary employee contributions trigger University contributions made on their behalf. Upon attainment of 7 years of employment, Faculty, officers, non-teaching professionals, non-union clerical staff, Public Safety officers, Local 1102 and Local 153 employees are required to participate, and receive a corresponding University contribution. All others may participate in the Plan but will not receive a corresponding University contribution.

The retirement plan is a defined contribution plan. Faculty members, officers and non-teaching professionals contribute 5% of their contractual salary; the University contributes an amount equal to 5.5% of the first \$4,800 of annual salary and 11% of the balance up to a maximum annual salary of \$250,000 in 2012. Non-teaching professionals receive a University contribution of 11% of base earnings. Clerical and specified maintenance employees contribute 3% of their base salary; the University contributes 8%. Total expense under this plan for the fiscal year ended August 31, 2011 was \$12.8 million.

As a component of the University's normal benefit program, tenured faculty are permitted to elect an early retirement option under certain circumstances. The option provides for the payment of these benefits generally over a five year period. The present value of the University's maximum liability for these benefits was \$5.8 million at August 31, 2011.

The University provides eligible employees with certain health insurance benefits upon retirement. Eligibility is based upon both minimum age and minimum years of service at retirement. The lifetime benefit (per participant) may not exceed \$50,000 and ceases upon the death of the retiree. The estimated accumulated post-retirement benefit obligation at August 31, 2011 amounted to \$44.2 million.

Litigation

The University, like other similar institutions, is subject to a variety of suits and proceedings arising in the ordinary course of business. The University has provided for all probable costs to be incurred with respect to these actions. In the opinion of the University, no litigation, individually or in the aggregate, currently pending, or to the knowledge of the University, threatened against it will result in a material adverse effect on its financial condition or operations.

PART 5 – CERTAIN BONDHOLDERS' RISKS

The Series 2012 Bonds are payable solely from the payments to be made by the University pursuant to the Loan Agreement. Future revenues and expenses of the University are subject to conditions which may change in the future to an extent that cannot be determined at this time. The paragraphs below discuss certain Bondholders' risks, but are not intended to be a complete enumeration of all risks associated with the University, the Project or the purchase or holding of the Series 2012 Bonds. The order in which such risks are presented does not necessarily reflect the relative importance of such risks, the likelihood that any of the events or circumstances described below will occur or exist, or that other events or circumstances won't occur or exist.

General

No entity or person other than the University is or shall be in any way responsible for any payments to be made under the Loan Agreement or the Series 2012 Bonds.

No representation can be made or assurance given that revenues will be realized by the University in amounts sufficient to make the payments necessary to meet the obligations of the University, including its obligations under the Loan Agreement. Future revenues and expenses of the University are subject to, among other things, the capabilities of the management of the University and future economic and other conditions which are unpredictable, and which may affect revenues and the ability of the University to make payments of principal of and interest on the Series 2012 Bonds and other obligations of the University.

There are a number of factors affecting institutions of higher education in general and others affecting the University specifically that could have an adverse effect on the University's financial position and its ability to make the payments

required under the Loan Agreement. These factors include; inflation and increasing operating and maintenance costs; changes in the method and amounts of payments to institutions of higher education; changes in the method of retaining and compensating faculty at the University; the financial viability of the costs of a college education generally, and the type of education offered by the University, specifically; the ability to compete for students with both less expensive state-supported institutions and with other private institutions; the ability to maintain or increase in the future funds from other sources, including gifts and contributions from donors and grants or appropriations from governmental bodies; adverse results from the investment of endowment funds; increasing costs of compliance with federal or state regulatory laws and regulations, including (without limitation) laws and regulations concerning environmental quality, work safety, accommodating the handicapped and changes in federal government policy relating to the reimbursement of overhead costs on government grants and contracts; and unionization of the work force with consequent impact on wage scales and operating costs. In addition, the tax-exempt status of the University and, therefore, of the Series 2012 Bonds, could be adversely affected by, among other things, an adverse determination by a governmental entity, non-compliance with governmental regulations or legislative changes.

Special Limited Obligations of the Authority

The Series 2012 Bonds will not be a debt of the State nor will the State be liable on them. 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 money received from the University pursuant to the Loan Agreement, from money realized upon a foreclosure of or other realization on the 2012 Mortgage or any security interest in the personal property securing the Loan Agreement, and from amounts held in the funds and accounts established by the Series Resolutions and pledged therefor.

Under the Loan Agreement, the University is required to make payments at times and in amounts sufficient to pay when due all principal (whether at maturity, by mandatory sinking fund redemption or otherwise) of and interest and premium, if any, on all Bonds, including the Series 2012 Bonds, from time to time Outstanding under the Resolution.

Pledged Revenues

The Loan Agreement is a general obligation of the University and requires the University to pay, in addition to fees and expenses, amounts sufficient to pay the principal, Sinking Fund Installments and interest on the Series 2012 Bonds. The Pledged Revenues securing the University's obligation under the Loan Agreement consist of tuition and fees charged to students and received or receivable by the University and the proceeds thereof. Such student charges comprised approximately 84% of the University's operating revenues for fiscal year 2011. These revenues are dependent on a number of factors including changes in demand for higher education in general, educational programs offered by the University, the University's facilities and, generally, the University's ability to attract and retain students. See PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS" and "Appendix C - Summary of Certain Provisions of the Loan Agreement." The amount of these Pledged Revenues in the future cannot be guaranteed.

Revenue Adequacy; Reliance on Tuition; Enrollment

Timely payment of principal of, premium, if any, and interest on the Series 2012 Bonds will be dependent upon the University's ability to make such payments and the availability of other assets. Payments on the Series 2012 Bonds from amounts on deposit under the Resolution will depend solely on the amount and timing of payments from the University under the Loan Agreement and interest paid or earnings on the various funds and accounts held pursuant to the Resolution that are pledged to the payment of the Series 2012 Bonds.

Tuition and fee revenues are the largest revenue source for the University, representing 84% of unrestricted revenue for the fiscal year ending August 31, 2011. The adequacy of Pledged Revenues and the University's ability to timely make payments under the Loan Agreement depends on, among other things, a relatively steady level of enrollment and income from tuition and fees paid by students. A number of factors including, without limitation, levels of tuition rates and other fees, competition from other higher education institutions, a change in the number of college age students, general economic conditions and employment opportunities in fields related to students' areas of study will influence the number of applicants to the University.

The University, in the past, has been able to raise tuition and related fees without adversely affecting enrollment, however, there can be no assurance that it will continue to be able to do so in the future or that employment opportunities will not adversely impact enrollment. Future tuition increases could adversely affect enrollment, which could adversely affect the

University's financial position and results of operations. Additionally, increased tuition may not necessarily result in increased net revenues for the University if the increased scholarships and grants given to attract and retain qualified students offset the increase in tuition.

Competition

As described above, a key factor in maintaining its revenues is the University's ability to attract a sufficient number of qualified students. The University offers degree programs in the arts, but not in the sciences. The University competes with state-supported and private colleges and universities located in New York and other regions from which the University draws its students, many of which have lower tuition and fees than the University. In addition, attracting and retaining qualified faculty is essential to attracting qualified students and is dependent on the University's ability to offer competitive compensation and facilities. No assurances can be given that the University will continue to attract sufficient numbers of qualified students and faculty at current levels of tuition and fees and compensation, respectively, so that its revenues will be sufficient to make the payments under the Loan Agreement.

Dependence on Financial Aid

A substantial portion of the University's revenues from tuition and fees is funded by student loans and federal government programs, as well as the University's own funds. Financial assistance in the form of scholarships, grants, loans and employment is a significant factor in the decision of many students to attend a particular college or university. During the 2011-2012 academic year, approximately 78% of the University's enrolled students received some form of financial assistance through the University. The level of financial assistance is directly affected by funding levels of federal and State financial aid programs, the level of private giving to the University and income derived from the investment of endowment and other funds.

There is no assurance that these programs will continue to be available to the students of the University. Any significant reduction in the level of financial assistance offered to prospective students could reduce the number of students enrolling at the University, adversely affecting the University's ability to generate tuition revenues and make payments under the Loan Agreement.

Impact of Market Turmoil

The domestic and international financial crisis that began in 2007 has had and will continue to have negative repercussions upon the national and global economies, including a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, increase in interest rates, reduced business activity, increased consumer bankruptcies and increased business failures and bankruptcies. The United States and other world governments and their agencies have taken various actions that are ostensibly designed to enhance liquidity, improve the performance and efficiency of credit markets and generally stabilize securities markets. The financial crisis has had a particularly acute impact upon the financial sector, and has caused many banks and other financial institutions to seek additional capital, to merge, and in some cases, to fail. The weakening of the economy in the global recession, and the slow economic recovery following it, may have a material adverse effect on the higher education sector and the University.

Among other considerations, the University maintains a broad range of investments, which may be materially affected by market fluctuation. The current conditions in credit markets may also limit the ability of the University to borrow to fund future capital expenditures, if otherwise determined to be necessary or desirable, or increase the costs of future borrowings.

In 2008, 2009, and 2010, federal legislation was enacted, and regulatory and other initiatives were implemented by agencies of the Federal government and the Federal Reserve Board, with the objective of stabilizing the financial markets by enhancing liquidity, providing additional capital to the financial sector, and improving the performance and efficiency of credit markets. Other legislation is pending or under active consideration by Congress, additional regulatory action is being considered by various Federal agencies and the Federal Reserve Board, and foreign governments are implementing actions, all of which are intended to continue and strengthen efforts to restore the domestic and global credit markets. It is unclear whether these legislative, regulatory, and other governmental actions will have the positive effect that is intended.

Potential investors are advised to refer to "PART 4 - THE UNIVERSITY" for additional information about the effects of these factors upon the recent performance of the University and its financial condition. In particular, reference is made to information in PART 4 - THE UNIVERSITY" under the caption heading "Management's Discussion."

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2012 Bonds. From time to time there may be no market for them depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the University's capabilities and the financial conditions and results of operations of the University. The Series 2012 Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Bankruptcy; Limitations on Enforceability

The Resolution, the Loan Agreement and the Series 2012 Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity. A claim for payment of the principal of or interest on the Series 2012 Bonds could be made subject to any statutes that may be constitutionally enacted by the United States Congress or the New York legislature affecting the time and manner of payment or imposing other constraints upon enforcement.

If the University were to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the University and its property. If the bankruptcy court so ordered, the University's property, including its accounts receivable and proceeds thereof, could be used for the benefit of the University despite the claims of its creditors.

In the event of bankruptcy of the University, transfers of property by the University, including the payment of debt or the transfer of any collateral, including receivables and Pledged Revenues on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Pledged Revenues to meet expenses of the University before paying debt service on the Series 2012 Bonds.

In a case under the Bankruptcy Code, the University could file a plan of reorganization. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the debtor, and could result in the modification of rights of creditors generally, or the rights of any class of creditors, secured or unsecured. Under certain circumstances, those voting against the plan or not voting at all are nonetheless bound by the terms thereof. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished. If less than all the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and the dissenting claims and interests bound thereby.

In addition, the realization of any rights under the Loan Agreement upon a default by the University depends upon the exercise of various remedies specified in the Loan Agreement. These remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreement may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Loan Agreement. Accordingly, the ability of the Authority or the Trustee to exercise remedies under the Loan Agreement upon an event of default could be impaired by the need for judicial or regulatory approval.

Investment Income

GEM has been retained as the University's Chief Investment Officer outsourcing firm to manage the University's Endowment Fund. Under this arrangement, while the Investment Committee of the Board of Trustees retains ultimate authority and responsibility with respect to adherence to the University's investment policy, GEM has been delegated full discretion with respect to asset allocation and manager selection. While the University believes its investments are managed prudently, there can be no assurance that unforeseen developments in the securities markets will not have an adverse effect on the market value of those investments and the income generated from them.

Fundraising

The University raises funds from a variety of sources to finance its operating and capital needs and to build its endowment. While the University plans to continue these efforts, there can be no assurance that it will be able to continue to raise funds at current levels. Fundraising may be adversely affected by a number of factors, including changes in general economic conditions and changes in tax law 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 University could be adversely affected by these actions and the ability of the University to maintain its creditworthiness will be based on its ability to successfully manage the outcome of any such actions.

No Feasibility Study

No formal feasibility study has been performed in connection with the issuance of the Series 2012 Bonds. The University's discussion and analysis of financial information pertaining to, and of the business operations of, the University, as set forth in PART 4 – THE UNIVERSITY, are based on financial information and other information regarding operations of the University as of the date of this Official Statement only. The operations of the University are subject to changes in economic and other conditions.

Future Results May Differ from Historical Results

Certain financial information regarding the University is set forth in "PART 4 -THE UNIVERSITY" and audited financial statements of the University are included in Appendix B. There can be no assurance that the financial results achieved in the future will be similar to historical results. Such future results will vary from historical results and the variations may be material. Therefore, the historical financial results cannot be taken as a representation that the University will be able to generate sufficient revenues in the future to fulfill its obligations under the Loan Agreement.

Tax Exemptions

Tax-Exempt Status of Interest on the Series 2012 Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2012 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds of the Series 2012 Bonds and the facilities financed or refinanced with such proceeds, limitations on the investment of amounts deemed to be proceeds of the Series 2012 Bonds prior to expenditure, a requirement that certain investment earnings on amounts deemed to be proceeds of the Series 2012 Bonds be paid periodically to the United States and a requirement that the Authority file an information report with the Internal Revenue Service ("IRS").

The Authority and the University have made certain covenants regarding actions required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2012 Bonds. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2012 Bonds as taxable, retroactively to the date of issuance. If interest on the Series 2012 Bonds were declared includable in gross income for purposes of federal income taxation, no additional amounts would be payable on the Series 2012 Bonds to compensate the holders or former holders thereof for the taxes which they may be required to pay, and the Series 2012 Bonds do not provide for a mandatory redemption in such event.

Management of the University believes that the Series 2012 Bonds properly comply with the tax laws. In addition, Bond Counsel to the Authority will render an opinion with respect to the excludability from gross income of the interest on the Series 2012 Bonds for federal income tax purposes, as described under the caption "Tax Matters." No ruling with respect to the tax-exempt status of the Series 2012 Bonds has been or will be sought from the IRS, and the opinion of Bond Counsel to the Authority as to the excludability from gross income of the interest on the Series 2012 Bonds for federal income tax purposes is not binding on the IRS or the courts. In addition, if the Series 2012 Bonds were to be audited, the market for and the market value of the Series 2012 Bonds could be adversely affected during the pendency of the examination and thereafter, even if the outcome of the audit were to be favorable.

Proposed Legislation that Might Limit or Eliminate the Tax-Exempt Status of Interest on the Series 2012 Bonds

Tax legislation (either proposed or future), administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2012 Bonds from realizing the full current benefit of the tax status of such interest and could affect the market prices or marketability of the Series 2012 Bonds.

For example, on September 12, 2011, President Obama sent to Congress draft legislation entitled the “American Jobs Act of 2011” (the “Proposed Act”). On September 13, 2011, Senate Majority Leader Reid introduced the Proposed Act in the Senate (S.1549). The Proposed Act included a provision that, if enacted as proposed, would have limited the amount of exclusions (including tax-exempt interest, such as interest on the Series 2012 Bonds) and deductions certain high income taxpayers could use to reduce their income tax liability for taxable years after 2012. On October 11, 2011, a procedural vote in the Senate to end debate and thus allow a vote on the Proposed Act, as amended; did not pass. This or other legislative proposals may be considered or introduced that could affect the market prices or marketability of tax-exempt bonds, such as the Series 2012 Bonds.

Prospective purchasers should consult with their tax advisors on the foregoing matters as they consider an investment in the Series 2012 Bonds.

Tax-Exempt Status of the University

The tax-exempt status of the Series 2012 Bonds depends (among other requirements) upon the maintenance by the University of its status as an organization described in Section 501(c)(3) of the Code. In addition, if the University were to lose its tax-exempt status, its property and its revenues could become subject to federal, state and local income taxation. Loss of the tax-exempt status of the University also could result in loss of the tax-exempt status of other debt issued on behalf of the University, and defaults in covenants regarding such debt would likely result. For these reasons, loss of the tax-exempt status of the University could have a material adverse effect on the financial condition of the University.

The maintenance of the federal tax-exempt status of an organization is contingent on compliance with the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions which may cause their earnings or assets to inure to the benefit of private individuals.

If the IRS were to find that the University has participated in activities in violation of certain regulations or rulings, the tax-exempt status of the University could be jeopardized. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit educational corporations, it could do so in the future. Loss of tax-exempt status by the University potentially could result in loss of tax-exemption of the Series 2012 Bonds.

In some cases, the IRS has imposed substantial monetary penalties on tax-exempt organizations in lieu of revoking their tax-exempt status. In those cases, the IRS and exempt organizations entered into settlement agreements requiring the organization to make substantial payments to the IRS.

State Income Tax Exemption and Local Property Tax Exemption

It is likely that the loss by the University of its status as an organization described in Section 501(c)(3) of the Code would also result in a challenge to the state tax exemption of the University. Depending on the circumstances, such event could be adverse and material.

In recent years, state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt entities with respect to their real property tax exemptions. In some cases, particularly where authorities are dissatisfied with the level of charitable activity provided by a nonprofit organization, the real property tax-exempt status of the organization has been questioned. The Brooklyn and Post campuses of the University are currently exempt from real property taxation. The real property tax-exemptions of the University have not been and, to the knowledge of management, are not under challenge or investigation.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations or their assets. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of the University by requiring payment of income, local property or other taxes.

Unrelated Business Income

In recent years, the IRS and state, county and local taxing authorities also have been undertaking audits and reviews of the operations of tax-exempt entities with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). The University participates in activities which generate UBTI. Management believes it has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could

result in taxes, interest and penalties with respect to unreported UBTI and in some cases could affect the tax-exempt status of the University as well as the excludability from gross income for federal income tax purposes of the interest payable on the Series 2012 Bonds and other tax-exempt debt issued on behalf of the University.

Legislative Developments

In recent years, the activities of non-profit tax-exempt corporations have been subject to increasing scrutiny by federal, state, and local legislatures and administrative agencies. Proposals have been made from time to time that would restrict the definition of tax-exempt or non-profit status, impose new restrictions on the activities of tax-exempt corporations, and/or tax or otherwise burden the activities of such corporations. There can be no assurance that future changes in the law, rules, regulations, interpretations, and policies relating to the definition, activities, and/or taxation of nonprofit corporations will not have a material adverse effect on the future operations of the University. Prospective purchasers of the Series 2012 Bonds should consult with their tax advisors as to the status and potential effect of pending proposed legislative proposals, as to which Bond Counsel expresses no opinion.

Prepayment Risks

The Series 2012 Bonds are subject to redemption, without premium, in advance of their stated maturities under certain circumstances. See “The Series 2012 Bonds -- Redemption Provisions.” Upon the occurrence of certain events of default, the payment of the principal of and interest on the Series 2012 Bonds may be accelerated. See “Summary of Certain Provisions of the Resolution -- Events of Default and Remedies” in Appendix C. Thus, there can be no assurance that the Series 2012 Bonds will remain outstanding until their stated maturities.

Bond Ratings

There is no assurance that the ratings assigned to the Series 2012 Bonds at the time of issuance will not be lowered or withdrawn at any time, which could adversely affect the market price and marketability of the Series 2012 Bonds. See “Ratings.”

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the financial position of the University or results of operations of the University:

- (1) changes by management personnel;
- (2) adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the University;
- (3) a decline in the population, a change in the age composition of the population or a decline in the economic condition of the University’s market;
- (4) changes in demand for higher education in general or for the programs offered by the University;
- (5) reduced availability of qualified faculty to teach the programs offered by the University;
- (6) loss of accreditation of any of the programs offered by the University;
- (7) inability to control increases in operating costs, including salaries, wages and fringe benefits and other benefits offered to employees of the University, technology, equipment, energy costs, supplies and other expenses, or to obtain corresponding increases in revenues; and
- (8) the occurrence of natural disasters, including floods, hurricanes, tornadoes and earthquakes, or the occurrence of criminal or terrorist acts, epidemics or other calamities, which could damage the facilities of the University, interrupt utility service to its facilities or otherwise impair the operations of the University and the generation of revenues from its facilities, and any failure of the insurance carried by the University to cover any losses resulting from the occurrence of any such event.

Regulatory and other changes resulting from the factors mentioned above, among others, or the occurrence of other unanticipated events, could have a material adverse effect on the University's operations or the financial position of the University.

PART 6 - PRINCIPAL AND INTEREST REQUIREMENTS

The following table sets forth the amounts, after giving effect to the issuance of the Series 2012 Bonds and the refunding of the Refunded Bonds, required to be paid by the University during each Fiscal Year ending August 31 for the payment of debt service on the currently outstanding indebtedness of the University, the principal of and interest on the Series 2012 Bonds and the total debt service on all indebtedness of the University, including the Series 2012 Bonds.

12 Month Period Ending on August 31	Total Debt Service on other Outstanding Indebtedness⁽¹⁾⁽²⁾	Principal Payments on the Series 2012 Bonds	Interest Payments on the Series 2012 Bonds	Total Debt Service on the Series 2012 Bonds	Total Debt Service
2013	\$ 3,974,310	\$ 2,950,000	\$ 1,975,562	\$ 4,925,562	\$ 8,899,872
2014	3,965,050	3,065,000	2,176,475	5,241,475	9,206,525
2015	3,955,312	3,170,000	2,084,525	5,254,525	9,209,837
2016	3,944,385	3,325,000	1,957,725	5,282,725	9,227,110
2017	3,942,979	3,480,000	1,824,725	5,304,725	9,247,704
2018	3,928,698	3,665,000	1,685,525	5,350,525	9,279,223
2019	3,918,708	3,840,000	1,502,275	5,342,275	9,260,983
2020	3,907,263	3,975,000	1,387,075	5,362,075	9,269,338
2021	3,904,822	4,115,000	1,277,763	5,392,763	9,297,585
2022	3,889,849	4,285,000	1,154,313	5,439,313	9,329,162
2023	3,878,632	4,445,000	1,025,763	5,470,763	9,349,395
2024	3,860,729	3,070,000	881,300	3,951,300	7,812,029
2025	4,121,480	3,200,000	777,688	3,977,688	8,099,168
2026	4,101,825	3,355,000	617,688	3,972,688	8,074,513
2027	4,084,848	3,520,000	449,938	3,969,938	8,054,786
2028	4,075,447	3,675,000	273,938	3,948,938	8,024,385
2029	4,060,013	860,000	136,125	996,125	5,056,138
2030	7,602,615	890,000	103,875	993,875	8,596,490
2031	7,530,068	925,000	70,500	995,500	8,525,568
2032	7,447,363	955,000	35,813	990,813	8,438,176
2033	7,382,540	--	--	--	7,382,540
2034	8,400,231	--	--	--	8,400,231
2035	8,300,310	--	--	--	8,300,310
2036	7,116,204	--	--	--	7,116,204
2037	4,176,060	--	--	--	4,176,060

⁽¹⁾ Excludes debt service on the Refunded Bonds

⁽²⁾ Assumes that the interest rates on the 2006 Bonds, which are variable rate bonds, are equal to the related swap rates of 3.408%, 3.635% and 3.995%

PART 7 - THE REFUNDING PLAN

The Series 2012 Bonds are being issued for the purpose of providing funds which, together with other available money, will be used to (i) defease and refund the Authority's Long Island University Insured Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), the Authority's Long Island University Insured Revenue Bonds, Series 2003A (the "Series 2003A Bonds") and the Authority's Long Island University Insured Revenue Bonds, Series 2003B (the "Series 2003B Bonds") (the "Series 2003B Bonds") (collectively, the "Refunded Bonds"), (ii) fund the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement, and (iii) pay the Costs of Issuance of the Series 2012 Bonds. See "PART 8 - ESTIMATED SOURCES AND USES OF FUNDS."

A major portion of the proceeds of the Series 2012 Bonds will be used to purchase direct obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America (the

“Government Obligations”) maturing in such amounts and at such times as shall be sufficient, together with the interest payable thereon, to pay the redemption price of, and to pay interest on, the Series 1999 Bonds and the Series 2003A Bonds within sixty days of the date of issuance of the Series 2012 Bonds, to pay the scheduled interest when due on the Series 2003B Bonds on or prior to September 1, 2013 and to pay the principal or redemption price of, and interest on, the Series 2003B Bonds on September 1, 2013, in each case at a redemption price of 100% of the principal amount to be redeemed. Concurrently with such purchase of Government Obligations, the Authority will deposit such Government Obligations in separate trust funds for each Series of Refunded Bonds (collectively, the “Refunding Escrows”) established with the trustee for the Refunded Bonds. At the time of such deposit, the Authority will direct such trustee to make irrevocable provision for the giving of notice of redemption of the Refunded Bonds to be redeemed prior to their stated maturities. See “PART 17 — VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

In the opinion of Bond Counsel, upon making such deposit and the giving of certain irrevocable instructions to the trustee, the Refunded Bonds will, under the terms of the resolution pursuant to which they were issued, be deemed to have been paid and will be considered no longer outstanding, and the pledge of the revenues and other money and securities pledged under such resolution to the Refunded Bonds, and all other rights granted by such resolution to the Refunded Bonds, will be discharged and satisfied.

PART 8 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2012 Bonds	\$60,765,000
Net Original Issue Premium/Discount	1,971,138
Transfer from Other Funds	6,080,784
Other Sources	613,201
Total Sources	\$69,430,123

Uses of Funds

Deposit to Refunding Escrow Accounts	\$62,852,853
Costs of Issuance ¹	787,141
Debt Service Reserve Fund	5,168,244
Underwriter’s Discount	621,885
Total Uses	\$69,430,123

¹ Includes legal fees, and associated costs relating to issuance of the Series 2012 Bonds.

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 June 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 June 30, 2012 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
State University of New York Dormitory Facilities.....	\$ 2,738,656,000	\$ 1,364,250,000	\$ 0	\$ 1,364,250,000
State University of New York Educational and Athletic Facilities.....	16,277,917,999	6,698,289,207	0	6,698,289,207
Upstate Community Colleges of the State University of New York.....	1,644,630,000	664,175,000	0	664,175,000

Senior Colleges of the City University of New York.....	11,174,381,762	3,690,708,213	0	3,690,708,213
Community Colleges of the City University of New York.....	2,595,168,350	547,281,787	0	547,281,787
BOCES and School Districts.....	3,504,056,208	2,641,935,000	0	2,641,935,000
Judicial Facilities.....	2,161,277,717	646,412,717	0	646,412,717
New York State Departments of Health and Education and Other.....	9,070,560,000	6,440,090,000	0	6,440,090,000
Mental Health Services Facilities.....	8,662,585,000	4,070,030,000	0	4,070,030,000
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>\$ 59,749,553,036</u>	<u>\$ 27,480,371,924</u>	<u>\$ 0</u>	<u>\$ 27,480,371,924</u>

	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
Non-Public Programs				
Independent Colleges, Universities and Other Institutions.....	\$ 21,217,289,952	\$ 10,920,998,311	\$ 70,895,000	\$ 10,991,893,311
Voluntary Non-Profit Hospitals.....	15,470,189,309	6,987,840,000	0	6,987,840,000
Facilities for the Aged.....	2,030,560,000	547,405,000	0	547,405,000
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>\$ 38,813,039,261</u>	<u>\$ 18,456,243,311</u>	<u>\$ 70,895,000</u>	<u>\$ 18,527,138,311</u>
Grand Totals Bonds and Notes.....	<u>\$ 98,562,592,297</u>	<u>\$ 45,936,615,235</u>	<u>\$ 70,895,000</u>	<u>\$ 46,007,510,235</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2012, the Agency had approximately \$183 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 June 30, 2012 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	<u>\$ 3,817,230,725</u>	<u>\$ 0</u>
Non-Public Programs		
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 2,035,000
Insured Mortgage Programs.....	6,625,079,927	178,175,000
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>\$ 183,000,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 183,000,000</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 Jaeckle 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. Ronski 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. Ronski 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 money 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 Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2012 Bonds is less than the amount to be paid at maturity of such Series 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2012 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2012 Bonds is the first price at which a substantial amount of such maturity of the Series 2012 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012 Bonds accrues daily over the term to maturity of such Series 2012 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2012 Bonds. Beneficial Owners of the Series 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012 Bonds with original issue discount, including the treatment of Beneficial Owners

who do not purchase such Series 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012 Bonds is sold to the public.

Series 2012 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2012 Bonds. The Authority and the University have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2012 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2012 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2012 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. The opinion of Bond Counsel also assumes that actions of the University, the Authority and other persons taken subsequent to the date of issuance of the Series 2012 Bonds will not cause any of the Series 2012 Bonds to exceed the \$150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities, as set forth in Section 145(b) of the Code. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of Moritt Hock & Hamroff LLP, Counsel to the University, regarding the current qualification of the University as an organization described in Section 501(c)(3) of the Code and the intended operation of the facilities to be financed by the Series 2012 Bonds as substantially related to the University’s charitable purpose under Section 513(a) of the Code. Such opinion is subject to a number of qualifications and limitations. Furthermore, Moritt Hock & Hamroff LLP cannot give and has not given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service (“IRS”). Failure of the University to be organized and operated in accordance with the IRS’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2012 Bonds in a manner that is substantially related to the University’s charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2012 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2012 Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on the Series 2012 Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Series 2012 Bonds to be subject, directly or indirectly, to federal income taxation, or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series 2012 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2012 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 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 the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the University have covenanted, however, to comply with the requirements of the Code.

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, the University or the Beneficial Owners 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, the University and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the University 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 University or the Beneficial Owners 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 Orrick, Herrington & Sutcliffe, LLP, New York, New York, Bond Counsel, 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 University by its special counsel, Moritt Hock & Hamroff LLP, Garden City, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Arent Fox LLP, 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 - FINANCIAL ADVISOR

Capital Markets Advisors, LLC has acted as Financial Advisor to the University in connection with the issuance of the Series 2012 Bonds.

In preparing the Official Statement, the Financial Advisor has relied upon University officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the University to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent

advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2012 Bonds.

PART 17 - UNDERWRITING

Piper Jaffray & Co. (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Series 2012 Bonds from the Authority at an aggregate purchase price of \$62,114,253 (representing the principal amount of the Series 2012 Bonds net of original issue premium/discount and net of underwriting discount of \$621,885) and to make a public offering of Series 2012 Bonds at prices that are not in excess of the public offering prices (or less than the yields) 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 Underwriter may offer and sell the Series 2012 Bonds to certain dealers (including dealers depositing the Series 2012 Bonds into investment trusts, certain of which may be sponsored by or managed by the Underwriter) and others at prices lower than the offering prices (or at yields higher than the yields) set forth on the inside cover page hereof, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority and/or the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority and/or the University. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may, at any time, hold or recommend to clients that should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriter and Pershing LLC, a subsidiary of Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by, or allocated to, the Underwriter, including the Series 2012 Bonds. Under the Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

PART 18 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC, 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 assertions provided by the Authority and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Government Obligations deposited in the Refunding Escrows to pay when due the principal or redemption price of and interest on the Prior Bonds through the scheduled maturity or earlier redemption of the Prior Bonds on the respective redemption dates as described in “PART 7 - THE REFUNDING PLAN” and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2012 Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder. Robert Thomas CPA, LLC 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 19 - 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 University 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 University ending August 31, 2012, for filing by DAC with the Municipal Securities Rulemaking Board (“MSRB”) and its Electronic Municipal Market Access

System for municipal disclosures on an annual basis, operating data and financial information of the type hereinafter described (the “Annual Information”), together with the University’s annual consolidated financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards. However, if audited consolidated financial statements are not then available, unaudited consolidated financial statements are to be delivered to DAC for delivery to the MSRB when they become available.

If, and only if, and to the extent that it receives the Annual Information and annual consolidated financial statements described above from the University, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the University and the Authority, to file such information and financial statements, as promptly as practicable, after receipt of the information by DAC from the University, with the MSRB.

The University 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 has 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 University, 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 University 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 Consolidated Financial Statements, Notices or any other information, disclosures or Notices provided to it by the University, the Trustee or the Authority and will not be deemed to be acting in any fiduciary capacity for the Authority, the University, 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 has no duty to determine or liability for failing to determine whether the University, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the University 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 operating data and financial information of the type included in this Official Statement in “PART 4 - THE UNIVERSITY - OPERATING INFORMATION” and “PART 4 - THE UNIVERSITY - ANNUAL FINANCIAL STATEMENT INFORMATION” relating to: (1) *student admissions*, similar to that set forth under the heading, “FRESHMAN ADMISSION STATISTICS;” (2) *student enrollment*, similar to that set forth under the heading, “ENROLLMENT SUMMARY;” (3) *student tuition*, similar to that set forth under the heading, “STUDENT CHARGES;” (4) *student financial aid*, similar to that set forth under the heading, “SOURCES OF SCHOLARSHIP AND GRANT AID;” (5) *faculty*, similar to that set forth under the heading, “FACULTY PROFILE;” (6) *employee relations*, similar to that set forth under the headings “Employee Relations” and “Pension and Retirement Funds;” (7) *endowment and similar funds*, similar to that set forth under the heading, “INVESTMENTS;” (8) *investment in plant*, similar to that set forth under the heading, “INVESTMENT IN PLANT;” and (9) *outstanding long-term indebtedness*, similar to that set forth under the heading “OUTSTANDING INDEBTEDNESS”, together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the University.

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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations or events affecting the tax-exempt 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 University; (14) consummation of a merger, consolidation or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (15) appointment of a successor or additional trustee, or the change of name of a trustee, if material. In addition, DAC

will undertake to provide to the MSRB, in a timely manner, notice of any failure by the University to provide the Annual Information and annual consolidated financial statements by the date required in the University'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 University, 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 University 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. However, 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 will not constitute an Event of Default under the Resolution, the Series 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, will 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.

The University has not failed to comply in any material respect with its continuing disclosure obligations in the last five years.

PART 20 - RATINGS

Moody's Investors Service ("Moody's") has assigned a rating of "Baa3" to the Series 2012 Bonds and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") has assigned a rating of "BBB-" to the Series 2012 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041 and Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2012 Bonds.

PART 21 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolution, the Series Resolutions and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series Resolutions and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 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 University was supplied by the University. 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 Orrick Herington & Sutcliffe, LLP, New York, New York, Bond Counsel.

The financial statements of the University as of and for the years ended August 31, 2011 and 2010, which are included in Appendix B to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing therein, which includes an explanatory paragraph regarding the University's adoption of Accounting Standards Codification 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, for classification of donor-restricted endowment funds in 2011, due to the enactment of the New York Prudent Management of Institutional Funds Act (NYPMIFA).

The University has reviewed the parts of this Official Statement describing the University, the principal and interest requirements, the refunding plan, the estimated sources and uses of funds and Appendix B. The University, as a condition to issuance of the Series 2012 Bonds, is required to certify that as of the date of this Official Statement and as of the date of issuance of the Series 2012 Bonds, 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 University 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

APPENDIX A - CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Resolution or the Loan Agreement and used in the 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.

“Annual Administrative Fee” means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority as more particularly described in the Loan Agreement.

“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 University 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.

“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, created and established 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 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 Bonds and the construction of the Project as more particularly described in the 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 Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance and Portfolio Management, the Managing Director of Construction, the Deputy Chief Financial Officer, the Assistant Director, Financial Management, the General Counsel and the Deputy General Counsel, 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 University, when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of the University 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.

“Available Assets” means the sum of all (i) cash and cash equivalents, (ii) investments and (iii) assets held by trustees under bond indenture agreements (exclusive of amounts held by trustees attributable to Non-Recourse Indebtedness), less all permanently restricted net assets of the University, all as shown on the audited financial statements of the University, determined in accordance with generally accepted accounting principles then applicable to the University.

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

“Available Money” means:

(i) when used in connection with Bonds other than Letter of Credit Secured Bonds, any money unless the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to them otherwise provides; and

(ii) when used in connection with Letter of Credit Secured Bonds:

(A) the proceeds of such Bonds;

(B) money obtained by the Trustee pursuant to the Letter of Credit for such Bonds;

(C) money derived from the remarketing of such Bonds which is directly paid to and held by the Trustee for the payment of the Purchase Price of such Bonds;

(D) money which has been on deposit with the Trustee for at least one hundred twenty-four (124) days (or, if there are any affiliates of the University, three hundred sixty-six (366) days) prior to and during which no petition by or against the Authority or the University, under the United States Bankruptcy Code of 1978, as amended, 11 U.S.C. Sec. 101 et seq. (the “Bankruptcy Code”) shall have been filed or any bankruptcy or similar proceeding shall have been commenced, unless such petition or proceeding shall have been dismissed and such dismissal shall be final and not subject to appeal; or

(E) any other money the application of which to the payment of the principal, Redemption Price or purchase price of or interest on such Bond would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Authority or the University under the Bankruptcy Code; and

(F) the proceeds from the investment of money described in clauses (A) through (E) above.

“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 Orrick, Herrington & Sutcliffe LLP, or an attorney or other law firm appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

“Bond Series Certificate” means the certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under the Resolution or under a Series Resolution.

“Bond Year” means, unless otherwise provided in a Series Resolution or a Bond Series Certificate with respect to a Series of Bonds, a period of twelve (12) consecutive months beginning September 1 in any calendar year and ending on August 31 of the succeeding calendar year.

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

“Book Entry Bond” means a Bond authorized to be issued, 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.

“Collateral Security” means a security interest in or pledge of any personal property, tangible or intangible, or mortgage on any real property or interest therein, given or made by the University to secure the University’s obligations under a Loan Agreement.

“Construction Fund” means the fund so designated, created and established for a Project by or pursuant to a Series Resolution authorizing the issuance of a Series of Bonds for the purpose of paying or refinancing the Costs of such Project.

“Contract Documents” means any general contract or agreement for the construction of the Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the University relating to the 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 the Bonds, which items of expense 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 or a Depository, legal fees and charges, professional consultants’ fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges relating to a Letter of Credit, a financial guaranty insurance policy, a Liquidity Facility, a Hedge Agreement or a Remarketing Agent, 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 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 University 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 University 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 University), (viii) interest on the Bonds, 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 Agreements, a Letter of Credit, a financial guaranty insurance policy in connection with Bonds, a Liquidity Facility or a Remarketing Agreement in connection with Option Bonds or Variable Interest Rate Bonds.

“Counterparty” means any person with which the Authority or the University has entered into a Hedge Agreement, provided that, at the time the Hedge Agreement is executed, the senior or uncollateralized long-term debt obligations of such person, or of any person that has guaranteed for the term of the Hedge Agreement the obligations of such person thereunder, are rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, not lower than in the third highest rating category by each Rating Service.

“Debt Service Fund” means, when used in connection with a Series of Bonds, the fund so designated, created and established by or pursuant to the Series Resolution authorizing the issuance of such Series of Bonds.

“Debt Service Reserve Fund” means, when used in connection with a particular Series of Bonds, a reserve fund for the payment of the principal and Sinking Fund Installments of and interest on such Series of Bonds, as so designated, created and established by the Authority by or pursuant to the Series Resolution authorizing the issuance of such Series of Bonds.

“Debt Service Reserve Requirement” means, with respect to a Series of Bonds, the amount of moneys, if any, required to be deposited in the Debt Service Reserve Fund as determined in accordance with the applicable Series Resolution providing for the issuance of such Series of Bonds, and with respect to the Series 2012 Bonds, the lesser of (i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on Outstanding Series 2012 Bonds payable during such calendar year, and the principal and Sinking Fund Installments of Outstanding Series 2012 Bonds payable on September 1 of such calendar year and (ii) \$5,168,243.49, the maximum amount permitted to be funded with proceeds of the Series 2012 Bonds under the Internal Revenue Code of 1986.

“Defeasance Security” means:

- (i) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligation;
- (ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation;
- (iii) an Exempt Obligation, provided such Exempt Obligation (i) 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, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, 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 (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America 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 (i) above, and (iv) is rated by at least two Rating Services in the highest rating category for such Exempt Obligation; and
- (iv) any other investments acceptable to the Rating Service(s) for defeasance.

Notwithstanding the foregoing, for purposes of (i), (ii) and (iii) above, such term shall not include (1) any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

“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 (unless otherwise provided in a Series Resolution or a Bond Series Certificate with respect to a Series of Bonds).

“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.

“Determination of Taxability” means, when used with respect to a Tax Exempt Bond, a final determination by any court of competent jurisdiction or a final determination by the Internal Revenue Service to which the Authority shall consent or from which no timely appeal shall have been taken, in each case to the effect that interest on such Bond is includable in the gross income of the Holder thereof for purposes of federal income taxation.

“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 hereunder, 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.

“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.

“Fiscal Year” means a twelve month period beginning September 1st of a calendar year and ending on August 31st of the next subsequent calendar year, or such other twelve month period as the University may elect as its Fiscal Year.

“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.

“Governmental Requirements” means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to the Project or any Mortgaged Property, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or after created, and having or asserting jurisdiction over the Project or any Mortgaged Property or any part thereof.

“Hedge Agreement” means any financial arrangement entered into by the Authority or the University with a Counterparty that is or in the nature of an interest rate exchange agreement, an interest rate cap or collar or other exchange or rate protection transaction, in each case executed for the purpose of moderating interest rate fluctuations, reducing interest cost or creating with respect to any Variable Interest Rate Bond the economic or financial equivalent of a fixed rate of interest on such Bond; provided, however, that no such agreement entered into by the University shall constitute a Hedge Agreement for purposes under the Loan Agreement unless consented to in writing by the Authority.

“Indebtedness” means, without duplication, indebtedness for borrowed money incurred or guaranteed by the University, 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 University in accordance with generally accepted accounting principles then applicable to the University; provided, however, that Non-Recourse Indebtedness shall not constitute Indebtedness for purposes of the Debt Service Coverage Ratio Covenant.

“Insurance Consultant” means a person or firm selected by the University which is qualified to survey risks and to recommend insurance coverage for the University and organizations engaged in like operations.

“Intercreditor Agreement” means an agreement by and among, inter alia, the Authority, the Trustee and creditors of the University, with respect to (i) the relative priorities of the liens upon the 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, (unless otherwise provided in a Series Resolution or a Bond Series Certificate with respect to a Series of Bonds).

“Interest Rate Exchange Agreement” means (i) an agreement entered into by the Authority or the University in connection with the issuance of or which relates to Bonds of one or more Series which provides that during the term of such agreement the Authority or the University 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 University 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.

“Letter of Credit” means an irrevocable direct-pay letter of credit for the benefit of the Trustee pursuant to which the issuer thereof is obligated, upon a drawing made by the Trustee in accordance with the terms of such letter of credit, to advance to the Trustee amounts to pay the principal and Sinking Fund Installments of and interest on such Bonds, as the same becomes due whether or not the Authority is in default under the Resolution or the University is in default under a Loan Agreement that is issued by (i) a bank, savings bank, savings and loan association or trust company organized under the laws of any state of the United States of America and authorized to do business in the State, (ii) a trust company, (iii) a national banking association, (iv) 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, (v) a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, or (vi) 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.

“Letter of Credit Secured Bond” means a Bond in connection with which a Letter of Credit has been issued.

“Lien” means any mortgage, pledge, lien, charge, security interest or assignment in the nature thereof (including any conditional sales agreement, equipment trust agreement, or other title retention agreement) or other encumbrance of whatsoever nature, other than:

- (i) any instrument recorded pursuant to the Loan Agreement;
- (ii) the lien of taxes and assessments which are not delinquent;
- (iii) the lien of taxes and assessments which are either not yet due or are delinquent but the validity of which is being contested in good faith unless the property or the interest of the Authority therein may be in danger of being lost or forfeited;
- (iv) 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 reasonably be expected to be held;
- (v) 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 for which it is or may reasonably be expected to be held; and
- (vi) any other liens or other matters approved in writing by the Authority.

“Liquidity Facility” means a 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 by the Trustee upon the terms and conditions contained therein for the purchase of Bonds tendered for purchase in accordance with the terms of the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

“Liquidity Facility Provider” means, when used in connection with any particular Bonds, the issuer or provider of a Liquidity Facility related to such Bond.

“Loan Agreement” means the Loan Agreement, dated as of July 25, 2012, by and between the Authority and the University, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement;

“Long-Term Indebtedness” means Indebtedness having an original maturity of greater than one (1) year or Indebtedness on which the University 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.

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

“Maximum Annual Debt Service” when used in connection with any Indebtedness means as of any particular date of calculation the greatest amount required to be paid by the University during the then current or any future 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 the proceeds of Indebtedness (i.e. capitalized interest) or principal amounts paid during the then current Fiscal Year from proceeds of Refunding Debt.

“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 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, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bonds as the minimum rate at which such Bond may bear interest at any time.

“Moody’s” means Moody’s Investor Service, Inc. or its successors or assigns.

“Mortgage” means the mortgage, dated as of October 17, 2012, on the property described therein, made by the University to the Authority to secure the University’s obligation under the Loan Agreement with respect to the Bonds, as the same may be amended from time to time.

“Mortgaged Property” means the property described in Exhibit A to the Mortgage.

“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 University 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 University

“Official Statement” means an official statement, offering memorandum or circular or other offering document relating to and in connection with the sale of the Bonds.

“Opinion of Bond Counsel” means an opinion of Bond Counsel to the effect that the action proposed to be taken will not cause interest on the Bonds to which such action relates to be includable in the gross income of the owners of such Bonds for purposes of federal income taxation and that such action is authorized or permitted by the Resolution and by the applicable Series Resolution and Bond Series Certificate.

“Option Bond” means any Bond 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, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable 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 the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to 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 any indebtedness for borrowed money issued, incurred, assumed or guaranteed by the University, other than pursuant to a Loan Agreement, that is secured by Collateral Security that, pursuant to an Intercreditor Agreement or otherwise, is of equal priority with the lien of such Collateral Security securing the University’s obligations under one or more Loan Agreements.

“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) 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; and

(v) bankers' acceptances issued by a bank rated 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.

"Permitted Encumbrances" means when used in connection with the 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 Section 20 of the Loan Agreement;
- (vi) The Mortgage;
- (vii) Any Lien to secure the purchase price of any equipment or furnishings, provided that the indebtedness secured thereby does not exceed ninety-five percent (95%) of the cost of acquisition thereof;
- (viii) Mechanics liens or other encumbrances which are fully bonded by the University or insured against by a policy of title insurance;
- (ix) Any matters set forth in a policy of title insurance issued in connection with items set forth in clauses (v) and (vi) above; and
- (x) Such other encumbrances, defects, and irregularities to which the prior written consent of the Authority has been obtained.

"Permitted Investments" means any of the following:

- (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" means tuition and fees charged to students for academic instruction, the right to receive the same and the proceeds thereof.

“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 Bonds, as more particularly described in the Resolution, in or pursuant to a Series Resolution or in or pursuant to a Bond Series Certificate.

“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;

(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;

(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;

(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 at the request of the Authority, or their respective successors and assigns.

“Record Date” means, unless the Series Resolution authorizing Variable Interest Rate Bonds or Option Bonds or the 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, 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.

“Refunded Bonds” means all or a portion of the outstanding principal amount of the Authority’s (a) Long Island University Insured Revenue Bonds, Series 2003A, (b) Long Island University Insured Revenue Bonds, Series 2003B; and (c) Long Island University Insured Revenue Bonds, Series 1999.

“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.

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

“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 University and the Remarketing Agent, relating to the remarketing of such Bonds.

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

“Reserve Fund Facility” means a surety bond, insurance policy, letter of credit (and any confirming letter of credit) or other financial guaranty or instrument, authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund, to be delivered in lieu of or in substitution for all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

“Resolution” means the Long Island University Revenue Bond Resolution, adopted by the Authority July 25, 2012, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions under the Resolution.

“Restricted Gift” means 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, when used in connection with the Bonds of any particular Series:

(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 lien upon property of the University given to secure the University’s obligation under such Loan Agreement.

“Serial Bond” means any Bond 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 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 or other provisions.

“Series 2012 Bonds” or “Bonds” means the Bonds authorized by the Series 2012 Resolution.

“Series 2012 Resolution” means the resolution of the Authority adopted July 25, 2012 entitled “Series Resolution Authorizing Up To \$66,000,000 Long Island University Revenue Bonds,” which resolution authorized the issuance of the Series 2012 Bonds, together with the Bond Series Certificate executed by the Authority in connection with issuance of the Series 2012 Bonds, in each case as the same may be amended, supplemented or otherwise modified.

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

“Shared Collateral” means the lien of any Collateral Security securing the University’s obligations under a Loan Agreement that, in accordance with an Intercreditor Agreement or otherwise, is of equal priority with the lien on such Collateral Security that secures the University’s obligations under one or more other Loan Agreements or on Parity Indebtedness.

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

“Sinking Fund Installment” means, as of any date of calculation:

(i) when used with respect to any Bonds of a 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 Resolution or 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 (or such other date as provided in a Series Resolution or a Bond Series Certificate with respect to a Series of Bonds) 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 an agreement by and between the Authority and another person or by and among the Authority, the University and another person, pursuant to which such person is obligated to purchase an Option Bond or a Variable Interest Rate Bond tendered for purchase.

“State” means the State of New York.

“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 a certificate executed by an Authorized Officer of the Authority, 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 compliance with the provisions of Section 141 through 150, inclusive, of the Code, 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.

“Tax Exempt Bond” means any Bond as to which Bond Counsel has rendered an opinion to the effect that interest on it is excluded from gross income for purposes of federal income taxation.

“Term Bond” means any Bond so designated in a Series Resolution or a Bond Series Certificate and payable from Sinking Fund Installments.

“Testing Date” means the last day of the University’s Fiscal Year.

“Trustee” means the bank or trust company appointed as Trustee for the Bonds pursuant to the Resolution and having the duties, responsibilities and rights provided for in the Resolution, 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.

“University” means Long Island University, 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.

“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 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.

“Verification Report” means, when used in connection with any Bonds for the payment of which Defeasance Obligations and money has been deposited with the Trustee in accordance with the Resolution, a letter or other written report verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose.

“Winning Bid Rate” shall have the meaning given to such term in the Resolution.

**APPENDIX B - FINANCIAL STATEMENTS OF LONG ISLAND UNIVERSITY
AS OF AND FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010
WITH INDEPENDENT AUDITORS' REPORT THEREON**

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***LONG ISLAND UNIVERSITY
FINANCIAL STATEMENTS
August 31, 2011***

(with Independent Auditors' Report Thereon)



KPMG LLP
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

Independent Auditors' Report

The Board of Trustees
Long Island University:

We have audited the accompanying statements of financial position of Long Island University (the University) as of August 31, 2011 and 2010, and the related statements of unrestricted revenues, expenses, and other changes in unrestricted net assets; changes in net assets; and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 University'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 financial statements referred to above present fairly, in all material respects, the financial position of Long Island University as of August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 11 to the financial statements, the University has adopted Accounting Standards Codification 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, for classification of donor-restricted endowment funds in 2011, due to the enactment of the New York Prudent Management of Institutional Funds Act (NYPMIFA).

KPMG LLP

December 5, 2011

LONG ISLAND UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
As of August 31,

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 35,189,756	\$ 46,682,473
Accounts receivable, net	24,502,337	17,859,608
Prepaid expenses and other assets	2,281,704	3,216,114
Contributions receivable, net	5,683,296	2,648,685
Investments	82,067,454	85,721,621
Notes receivable, net	14,676,789	15,277,504
Deposits with bond trustees	13,126,026	17,101,802
Land, buildings, and equipment, net	<u>328,477,764</u>	<u>318,968,182</u>
Total assets	<u>506,005,126</u>	<u>507,475,989</u>
 Liabilities:		
Accounts payable and accrued expenses	18,539,331	18,152,373
Deferred revenue	60,091,454	58,387,654
Other liabilities	35,811,313	36,567,898
Long-term debt	131,994,933	141,673,544
Liability for postretirement benefits	44,220,792	43,204,860
U.S. government refundable grants	<u>12,819,376</u>	<u>12,708,185</u>
Total liabilities	<u>303,477,199</u>	<u>310,694,514</u>
 Net assets:		
Unrestricted	149,192,094	152,792,298
Temporarily restricted	7,673,189	2,456,144
Permanently restricted	<u>45,662,644</u>	<u>41,533,033</u>
Total net assets	<u>202,527,927</u>	<u>196,781,475</u>
 Total liabilities and net assets	 <u>\$ 506,005,126</u>	 <u>\$ 507,475,989</u>

See accompanying notes to financial statements.

LONG ISLAND UNIVERSITY
STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES,
AND OTHER CHANGES IN UNRESTRICTED NET ASSETS
Years Ended August 31,

	<u>2011</u>	<u>2010</u>
Operating Revenues and Other Support:		
Tuition and fees	\$ 404,755,692	\$ 388,968,087
Scholarship allowances	<u>(89,229,536)</u>	<u>(77,699,090)</u>
Net tuition and fees	315,526,156	311,268,997
Sales and services of auxiliary enterprises	26,937,081	26,499,494
Government grants and contracts	15,670,098	13,832,246
Private gifts and grants	3,513,398	3,734,518
Investment return designated for operations	3,474,818	4,624,268
Other sources	10,023,747	9,642,479
Net assets released from restrictions for operations	<u>2,432,528</u>	<u>1,053,235</u>
Total operating revenues and other support	<u>377,577,826</u>	<u>370,655,237</u>
Operating Expenses:		
Salaries and benefits	259,241,745	251,200,459
Supplies, repairs, utilities, and other expenses	94,599,225	88,321,633
Depreciation and amortization	16,021,177	14,958,853
Interest expense	<u>7,608,764</u>	<u>7,567,658</u>
Total operating expenses	<u>377,470,911</u>	<u>362,048,603</u>
Increase in unrestricted net assets from operating activities	<u>106,915</u>	<u>8,606,634</u>
Nonoperating:		
Investment return net of amounts designated for operations	531,895	(823,291)
Other, net (note 2)	<u>244,149</u>	<u>(8,936,273)</u>
Total nonoperating	<u>776,044</u>	<u>(9,759,564)</u>
Increase (decrease) in unrestricted net assets before effect of reclassification	882,959	(1,152,930)
Endowment net asset reclassification due to enactment of NYPMIFA	<u>(4,483,163)</u>	<u>-</u>
Decrease in unrestricted net assets	<u>\$ (3,600,204)</u>	<u>\$ (1,152,930)</u>

See accompanying notes to financial statements.

LONG ISLAND UNIVERSITY
STATEMENTS OF CHANGES IN NET ASSETS
Years Ended August 31,

	<u>2011</u>	<u>2010</u>
Decrease in unrestricted net assets (from previous statement)	\$ (3,600,204)	\$ (1,152,930)
Changes in temporarily restricted net assets:		
Private gifts and grants	2,784,735	982,527
Investment return, net	16,751	14,134
Change in value of split-interest agreements	329,924	(35,356)
Provision for uncollectible notes and contributions receivable	35,000	-
Endowment net asset reclassification due to enactment of NYPMIFA	4,483,163	-
Net assets released from restrictions	<u>(2,432,528)</u>	<u>(1,053,235)</u>
Increase (decrease) in temporarily restricted net assets	<u>5,217,045</u>	<u>(91,930)</u>
Changes in permanently restricted net assets:		
Private gifts and grants	4,051,034	780,740
Investment return, net	49,474	84,885
Change in value of split-interest agreements	44,103	(42,729)
Provision for uncollectible notes and contributions receivable	(15,000)	(378,203)
Other reclassifications	<u>-</u>	<u>(332,234)</u>
Increase in permanently restricted net assets	<u>4,129,611</u>	<u>112,459</u>
Increase (decrease) in net assets	5,746,452	(1,132,401)
Net assets at beginning of year	<u>196,781,475</u>	<u>197,913,876</u>
Net assets at end of year	<u>\$ 202,527,927</u>	<u>\$ 196,781,475</u>

See accompanying notes to financial statements.

LONG ISLAND UNIVERSITY
STATEMENTS OF CASH FLOWS
Years Ended August 31,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 5,746,452	\$ (1,132,401)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,021,177	14,958,853
Amortization of bond discount	21,494	21,494
Loss on reoffering of debt	518,695	276,862
Bad debt expense, net	7,250,492	7,937,455
Provision for uncollectible notes and contributions receivable	68,748	446,912
Net gains on investments	(3,020,359)	(2,624,453)
Contributions and government grants received for plant asset additions and long-term investment	(2,064,704)	(1,439,986)
Changes in assets and liabilities:		
Accounts receivable, net	(13,893,221)	(11,478,838)
Prepaid expenses and other assets	934,410	(2,085,678)
Contributions receivable, net	(3,014,611)	199,955
Accounts payable and accrued expenses	345,501	698,052
Deferred revenue	1,703,800	7,016,150
Other liabilities	(756,585)	(1,305,782)
Liability for postretirement benefits	1,015,932	2,676,985
Net cash provided by operating activities	<u>10,877,221</u>	<u>14,165,580</u>
Cash flows from investing activities:		
Capital expenditures	(26,049,454)	(12,458,912)
Increase (decrease) in construction-related accounts payable	41,457	(259,159)
Decrease in short-term investments	430,609	903,124
Proceeds from sale of investments	46,010,558	44,510,805
Purchases of investments	(39,766,641)	(46,895,052)
Loans to students, faculty, and staff	(1,829,556)	(2,456,216)
Payments received on student, faculty, and staff loans	2,341,523	2,774,134
Increase in U.S. government refundable grants	111,191	85,202
Net cash used in investing activities	<u>(18,710,313)</u>	<u>(13,796,074)</u>
Cash flows from financing activities:		
Decrease in deposits with bond trustees	3,975,776	7,058,662
Principal payments on long-term debt	(4,640,105)	(4,199,321)
Issuance of long-term debt	64,730,000	35,395,000
Reoffering of debt	(69,790,000)	(35,395,000)
Contributions and government grants received for plant asset additions and long-term investment	2,064,704	1,439,986
Net cash (used in) provided by financing activities	<u>(3,659,625)</u>	<u>4,299,327</u>
Net (decrease) increase in cash and cash equivalents	(11,492,717)	4,668,833
Balance at beginning of year	46,682,473	42,013,640
Balance at end of year	<u>\$ 35,189,756</u>	<u>\$ 46,682,473</u>
Supplemental disclosure – interest paid	<u>\$ 7,692,072</u>	<u>\$ 7,981,214</u>

See accompanying notes to financial statements.

LONG ISLAND UNIVERSITY
Notes to Financial Statements
August 31, 2011 and 2010

1. Organization

Long Island University (the University), founded in 1926, is a coeducational institution serving an enrollment of approximately 18,000 students plus an additional 7,000 noncredit bearing students. The University conducts undergraduate, graduate, and doctoral programs on campuses on or near Long Island, New York.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The University's financial statements have been prepared on the accrual basis of accounting.

The University's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions requiring that the assets be maintained permanently.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as releases from restrictions from temporarily restricted net assets to unrestricted net assets. The University follows the policy of reporting donor-imposed restricted contributions and permanently-restricted endowment investment income whose restrictions are met in the same period as received as unrestricted revenue.

LONG ISLAND UNIVERSITY
Notes to Financial Statements
August 31, 2011 and 2010

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the University to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the allowance for doubtful accounts, loans and contributions receivable, the valuation of derivatives, fixed assets, investments, notes receivable, and contributions receivable, the allocation of expenses, and the reserves for postretirement benefits, early retirement, self-insurance liabilities, and other contingencies. Actual results could differ from those estimates.

Tax Exempt Status

The University has received a determination letter from the Internal Revenue Service and is considered exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities. No provision for income taxes has been made as the University has not reported any taxable unrelated business income. The University evaluates, on an annual basis, the effects of any uncertain tax positions on its financial statements using a threshold of more likely than not. As of August 31, 2011 and 2010, the University has not identified or provided for any such positions.

Cash and Cash Equivalents

Cash and cash equivalents include cash and temporary investments with original maturities of three months or less, except for those that are purchased by the University as part of its long-term investment strategy. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

Accounts Receivable

Accounts receivable are stated at net realizable value and consist of the following:

	August 31,	
	2011	2010
Student receivables	\$ 35,243,105	\$ 26,810,866
Other receivables	5,667,848	4,521,016
	40,910,953	31,331,882
Allowance for doubtful accounts	(16,408,616)	(13,472,274)
	\$ 24,502,337	\$ 17,859,608

LONG ISLAND UNIVERSITY
Notes to Financial Statements
August 31, 2011 and 2010

Contributions Receivable

Contributions receivable are recorded at their estimated net realizable values discounted to present value at risk-adjusted rates ranging from 4.3% to 5.8% at August 31, 2011 and 2010, and consist of the following:

	August 31,	
	2011	2010
Contributions receivable	\$ 6,732,600	\$ 3,214,349
Discount to net present value	(849,304)	(345,664)
Allowance for uncollectible contributions	(200,000)	(220,000)
	\$ 5,683,296	\$ 2,648,685

At August 31, 2011, contributions receivable from two donors represent approximately 62% of total net contributions receivable.

Contributions receivable are scheduled to be collected as follows:

	August 31,	
	2011	2010
Within one year	\$ 1,956,970	\$ 1,690,522
One - five years	4,626,780	1,382,064
Thereafter	148,850	141,763
	\$ 6,732,600	\$ 3,214,349

Investments

Investments in equity securities and investments in debt securities are reported at fair value based on quoted market prices. Alternative investments are valued by the University's management using net asset values provided by external investment managers as a practical expedient in determining fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for the investments existed.

LONG ISLAND UNIVERSITY
Notes to Financial Statements
August 31, 2011 and 2010

Notes Receivable

Notes receivable primarily consist of amounts due from students under the University's federally-sponsored student loan programs. A reasonable estimate of the fair value of loans receivable from students under government loan programs could not be made because the notes cannot be sold and can only be assigned to the U.S. government or its designees. The fair value of notes receivable from students under the University's federally sponsored student loan programs approximates carrying value. Notes receivable consist of the following:

	August 31,	
	2011	2010
Perkins student loans receivable	\$ 12,452,121	\$ 13,549,976
Health Professions student loans receivable	2,562,914	2,830,848
Other notes receivable	2,614,653	1,760,830
	17,629,688	18,141,654
Allowance for doubtful notes receivable	(2,952,899)	(2,864,150)
	\$ 14,676,789	\$ 15,277,504

Deposits with Bond Trustees

Deposits with bond trustees, principally U.S. government obligations at fair value, consist of the following:

	August 31,	
	2011	2010
Debt service funds	\$ 12,227,966	\$ 12,758,829
Building and equipment funds (mandatory)	898,060	898,408
Construction funds (bond proceeds)	-	3,444,565
	\$ 13,126,026	\$ 17,101,802

Land, Buildings, and Equipment

Land, buildings, and equipment are stated principally at cost. Library books are stated at \$5 per volume (\$13.0 million and \$13.2 million at August 31, 2011 and 2010, respectively). All plant assets other than land, library books, and artwork, are depreciated over their estimated useful lives, utilizing the straight-line method. Depreciable lives are estimated as 45 years for buildings, 10-35 years for building and campus improvements, and 3-5 years for furniture and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the improvements.

LONG ISLAND UNIVERSITY
Notes to Financial Statements
August 31, 2011 and 2010

Deferred Revenue

Deferred revenue includes advance tuition deposits and other amounts collected from students through August 31 of a given year related to student registration for the upcoming fall semester.

Other Liabilities

Other liabilities consist of the following:

	August 31,	
	2011	2010
Benefits payable under early retirement plans (Note 12)	\$ 5,905,864	\$ 6,193,611
Estimated self-insurance liabilities (Note 13)	4,396,423	4,122,009
Charitable gift annuities (Note 8)	1,335,813	1,708,625
Funds held for others	33,167	31,810
Fair value of derivative financial instruments (Note 7)	17,998,046	18,539,843
Asset retirement obligations (Note 5)	6,142,000	5,972,000
	<u>\$ 35,811,313</u>	<u>\$ 36,567,898</u>

U.S. Government Refundable Grants

U.S. government refundable grants consist of funds advanced by the federal government on the condition that the University administer various campus-based student loan programs subject to federal regulations. Advances from the federal government under these loan programs are required to be remitted to the federal government upon liquidation of the fund. Accordingly, they are reported as liabilities in the statements of financial position.

Derivative Financial Instruments

The derivative instruments held by the University consist of interest rate swaps (note 7) and are recorded at fair value. Gains and losses from changes in derivative fair value are recognized as other non-operating in the statement of unrestricted revenues, expenses, and other changes in unrestricted net assets.

LONG ISLAND UNIVERSITY
Notes to Financial Statements
August 31, 2011 and 2010

Nonoperating

Nonoperating activities are distinguished from unrestricted operating activities and include investment return net of amounts designated for operations in accordance with the University's spending policy, the unrealized loss on interest rate swap agreements, pension-related changes other than net periodic pension cost, and nonrecurring items. Nonoperating activities consist of the following:

	Year Ended August 31,	
	2011	2010
Investment return net of amounts designated for operations	\$ 531,895	\$ (823,291)
Other, net:		
Change in fair value of interest rate swap agreements	541,797	(7,679,150)
Postretirement changes other than net periodic benefit cost	175,327	(1,364,017)
Loss on reoffering of debt	(518,695)	(276,862)
Other	45,720	383,756
Total other, net	244,149	(8,936,273)
	\$ 776,044	\$ (9,759,564)

As a result of the enactment of the New York Prudent Management of Institutional Funds Act (NYPMIFA) on September 17, 2010, investment return net of amounts designated for operations includes investment returns on quasi-endowment only for August 31, 2011. The investment return net of amounts designated for operations for August 31, 2010, which was prior to NYPMIFA, includes investment returns for all endowment funds.

3. Investments

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and to increase investment value after inflation. The University diversifies its investments among asset classes by incorporating several strategies and fund managers. Major investment decisions are authorized by the Investment Committee of the University's Board of Trustees, which oversees the University's investments.

LONG ISLAND UNIVERSITY
Notes to Financial Statements
August 31, 2011 and 2010

In addition to equity and fixed income investments, the University may also hold shares or units in alternative investment funds involving hedged strategies and real estate investments. Hedge funds include funds whose managers have the authority to invest in various asset classes at their discretion and the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments. Real estate investments include funds with an investment strategy designed to enhance return and to diversify risk within the investment portfolio by pursuing opportunities in retail, office, and residential real estate sectors in the U.S. and Europe.

Investments consist of the following:

	Year Ended August 31,			
	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 20,015,968	\$ 20,015,968	\$ 20,446,578	\$ 20,446,578
Fixed income investments:				
Corporate	3,454,858	3,734,130	8,137,091	8,448,092
U.S. Government	399,996	423,639	3,955,955	3,995,027
Municipal bonds	-	-	2,704,269	2,772,920
Equity investments:				
Domestic	18,906,399	26,196,804	18,527,554	23,993,088
International	11,844,892	8,936,177	12,121,225	8,389,581
Alternative investments:				
Real estate	7,008,117	4,047,604	6,953,827	3,965,218
Hedge funds	20,754,864	18,713,132	15,815,556	13,711,117
	<u>\$ 82,385,094</u>	<u>\$ 82,067,454</u>	<u>\$ 88,662,055</u>	<u>\$ 85,721,621</u>

Under the terms of certain limited partnership agreements, the University is obligated to periodically advance additional funding for real estate investments, subject to certain fixed expiration dates and other termination clauses. At August 31, 2011 and 2010, the University had commitments of approximately \$570 thousand and \$624 thousand, respectively, for which capital calls had not been exercised. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

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The following schedule summarizes the University's investment return:

	August 31,	
	2011	2010
Dividends and interest, net of fees	\$ 1,052,579	\$ 1,275,543
Net realized gains	397,565	410,966
Unrealized gains	2,622,794	2,213,487
	\$ 4,072,938	\$ 3,899,996

4. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University has adopted a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of input that may be used to measure fair value are as follows:

Level 1: Observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.

Level 2: Observable inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Includes alternative investments that can be redeemed at net asset value per share (or its equivalent) at or near the measurement date.

Level 3: Unobservable inputs where there is little or no market data which requires the University to develop its own assumptions. Includes alternative investments that cannot be redeemed at net asset value per share (or its equivalent) at or near the measurement date.

The inputs and methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with the investments or a reflection of liquidity. Care should be exercised in deriving conclusions about the University's financial position based on the fair value information of financial instruments as described below.

The fair values of fixed maturity securities are based on quoted prices provided by investment managers. The investment managers use pricing services to determine market valuations. The fair values of equity securities are based on observable active market quotation prices provided by investment managers or by other inputs that are observable or can be corroborated by observable market data.

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Alternative investments, including hedge funds and real estate investments, are valued using net asset values provided by external investment managers, as a practical expedient in determining fair value. Net asset values provided by external investment managers include estimates, appraisals, assumptions and methods that are reviewed by management. It is possible that the redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and, consequently, the fair value of the University's interests in the funds.

The University's swap agreements are valued using observable market data, swap rates and basis rates. These inputs are placed into a proprietary model to calculate the fair value of the interest rate swaps. The integrity and propriety of the model is validated by management.

The following summarizes the University's investments and other assets and liabilities by major category in the fair value hierarchy as of August 31, 2011 and 2010:

	Fair Value Measurements				Redemption or Liquidation	Days' Notice
	August 31, 2011					
	Level 1	Level 2	Level 3	Total		
Financial Assets:						
Investments:						
Certificates of Deposit	\$ 20,015,968	\$ -	\$ -	20,015,968	Daily	1
Fixed maturity securities:						
Corporate	3,734,130	-	-	3,734,130	Daily	1
U.S. Government	423,639	-	-	423,639	Daily	1
Equity securities and funds:						
Domestic	23,237,174	2,959,630	-	26,196,804	Daily	1
International	5,928,811	3,007,366	-	8,936,177	Daily	1
Alternative investments:						
Real estate	-	-	4,047,604	4,047,604	Illiquid*	-
Hedge Funds	-	-	18,713,132	18,713,132	Quarterly- Annually	45-90
Total investments	<u>53,339,722</u>	<u>5,966,996</u>	<u>22,760,736</u>	<u>82,067,454</u>		
Deposits with bond trustees	<u>3,338,699</u>	<u>9,787,327</u>	<u>-</u>	<u>13,126,026</u>		
Total assets	<u>\$ 56,678,421</u>	<u>\$ 15,754,323</u>	<u>\$ 22,760,736</u>	<u>\$ 95,193,480</u>		
Financial Liabilities:						
Fair value of derivative financial instruments	<u>\$ -</u>	<u>\$ 17,998,046</u>	<u>\$ -</u>	<u>\$ 17,998,046</u>		

*The University's real estate investments have initial terms ranging from 7 to 8 years and have remaining lives ranging from 1 to 6 years (including extensions).

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Fair Value Measurements						
August 31, 2010						
	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
Financial Assets:						
Investments:						
Certificates of Deposit	\$ 20,446,578	\$ -	\$ -	\$ 20,446,578	Daily	1
Fixed maturity securities:						
Corporate	3,667,914	4,780,178	-	8,448,092	Daily	1
U.S. Government	737,944	3,257,083	-	3,995,027	Daily	1
Municipal bonds	-	2,772,920	-	2,772,920	Daily	1
Equity securities and funds:						
Domestic	21,256,555	2,736,533	-	23,993,088	Daily	1
International	5,674,853	2,714,728	-	8,389,581	Daily	1
Alternative investments:						
Real estate	-	-	3,965,218	3,965,218	Illiquid*	-
Hedge Funds	-	-	13,711,117	13,711,117	Quarterly- Annually	45-90
Total investments	51,783,844	16,261,442	17,676,335	85,721,621		
Deposits with bond trustees	5,302,416	11,799,386	-	17,101,802		
Total assets	\$ 57,086,260	\$ 28,060,828	\$ 17,676,335	\$ 102,823,423		
Financial Liabilities:						
Fair value of derivative financial instruments	\$ -	\$ 18,539,843	\$ -	\$ 18,539,843		

*The University's real estate investments have initial terms ranging from 7 to 8 years and have remaining lives ranging from 2 to 7 years (including extensions).

The following tables present additional information for Level 3 alternative investments measured at fair value on a recurring basis for the fiscal years ended August 31, 2011 and 2010.

	Hedge Funds	Real Estate	Total
Beginning balance, September 1, 2010	13,711,117	3,965,218	\$ 17,676,335
Net gain including realized and unrealized gains	62,707	28,096	90,803
Purchases	5,000,000	54,290	5,054,290
Dispositions	(60,692)	-	(60,692)
Ending balance, August 31, 2011	\$ 18,713,132	\$ 4,047,604	\$ 22,760,736

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	<u>Hedge Funds</u>	<u>Real Estate</u>	<u>Total</u>
Beginning balance, September 1, 2009	\$ 4,453,897	\$ 4,402,936	\$ 8,856,833
Net loss including realized and unrealized losses	(558,336)	(913,511)	(1,471,847)
Purchases	10,000,000	475,793	10,475,793
Dispositions	(184,444)	-	(184,444)
Ending balance, August 31, 2010	<u>\$ 13,711,117</u>	<u>\$ 3,965,218</u>	<u>\$ 17,676,335</u>

5. Land, Building, and Equipment

Plant assets consist of the following:

	<u>August 31,</u>	
	<u>2011</u>	<u>2010</u>
Land and campus improvements	\$ 16,099,419	\$ 16,099,419
Buildings, building improvements, and leasehold improvements	434,348,941	422,543,392
Furniture and equipment, including software	51,114,940	49,228,802
Library books	13,070,970	13,210,635
Construction in progress	12,643,489	2,393,594
	<u>527,277,759</u>	<u>503,475,842</u>
Accumulated depreciation and amortization	(198,799,995)	(184,507,660)
	<u>\$ 328,477,764</u>	<u>\$ 318,968,182</u>

Depreciation expense approximated \$16.0 million and \$15.0 million for the years ended August 31, 2011 and 2010, respectively. For the years ended August 31, 2011 and 2010, the University capitalized \$0.4 million and \$0.1 million, respectively, of computer software implementation costs.

The University has identified the cost of asbestos removal as a conditional asset retirement obligation for certain of its buildings. In both of the years ended August 31, 2011 and 2010, the University recorded \$0.2 million of interest expense related to the accretion of this obligation. As of August 31, 2011 and 2010, the University reported conditional retirement asset obligations of \$6.1 million and \$6.0 million, respectively.

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6. Long-term debt

The components of long-term debt are as follows:

	August 31,	
	2011	2010
Dormitory Authority State of New York insured revenue bonds 2006A series, original amount \$72,600,000, maturing through 2036 at a variable interest rate (0.9% at August 31, 2011) (a) (b)	\$ 64,730,000	\$ 70,780,000
Dormitory Authority State of New York insured revenue bonds 2003A series, original amount \$16,350,000, maturing through 2032 with interest ranging from 3.5% to 5.25% (b)	14,325,000	14,685,000
Dormitory Authority State of New York insured revenue bonds 2003B series, original amount \$23,650,000, maturing through 2028 with interest ranging from 3.875% to 5.5% (b)	19,865,000	20,545,000
Dormitory Authority State of New York insured revenue bonds 1999 series, original amount \$45,355,000, maturing through 2029 with interest ranging from 5.125% to 5.25% (net of discount of \$386,884 in 2011 and \$408,378 in 2010) (b)	31,673,116	32,851,622
Bonds payable, 1966 issue, original amount \$6,610,000, maturing through 2016, with interest ranging from 3.00% to 3.625% (c)	345,000	420,000
Noninterest bearing note payable, original amount \$2,227,900, maturing through 2015	1,056,817	1,428,136
Note payable, maturing through 2011 with interest at 5.00%	-	963,786
	\$ 131,994,933	\$ 141,673,544

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- (a) On November 9, 2006, the University issued \$72,600,000 of Dormitory Authority of the State of New York (DASNY) Insured Revenue Bonds Series 2006A at a variable interest rate of 3.6% at date of issuance, consisting of \$16,740,000 term bonds due September 1, 2026 and \$55,860,000 term bonds due September 1, 2036. On August 7, 2008, the University reoffered the remaining principal balance of the DASNY Series 2006A bonds as \$36,005,000 DASNY Subseries 2006A-1 and \$36,010,000 DASNY Subseries 2006A-2 secured by separate Letters of Credits.

On September 23, 2010, the University terminated the Letter of Credit which had secured the principal balance of DASNY Subseries 2006A-1 and reoffered the remaining principal balance of DASNY Subseries 2006A-1 as a \$30.0 million Bank Qualified Direct Placement, simultaneously paying down \$5.1 million of the outstanding principal balance of DASNY Subseries 2006A-1 bonds. The Bank Qualified Direct Placement agreement will expire on September 23, 2015.

On August 29, 2011, the University reoffered the remaining principal balance of \$34.7 million of DASNY Subseries 2006A-2 and replaced the Letter of Credit which had secured the principal balance of DASNY Subseries 2006A-2. The Letter of Credit will expire on August 29, 2016.

As discussed in note 7, the University entered into interest rate swap agreements which have the effect of fixing the rate of interest at approximately 3.4% for \$14.6 million principal balance of the DASNY Series 2006A term bonds due September 1, 2026, at approximately 4.0% for \$22.3 million principal balance of the DASNY 2006A term bonds due September 1, 2036, and at approximately 3.6% for \$27.8 million principal balance of the DASNY 2006A term bonds due September 1, 2036. Per the interest rate swap agreements, the notional amounts will be reduced in the same amount and at the same time as the corresponding principal of the DASNY Series 2006A bonds.

- (b) The obligations of the University related to the DASNY Series 2006A, Series 2003A, Series 2003B, Series 1999, and Series 1996 bonds are secured by pledges of the University's unrestricted revenues and by deposits to mandated debt service reserve funds. The DASNY Series 2006A bonds are secured by Letters of Credits. Payment of the DASNY Series 2003A, Series 2003B, Series 1999, and Series 1996 bonds is guaranteed by an insurance carrier. In addition, the University has granted DASNY a mortgage on the residence complex and on two parcels of land owned by the University in the villages of Old Westbury and Brookville, Nassau County, New York. DASNY placed certain limitations on the encumbrance of specified investments and on new indebtedness.
- (c) The bonds payable issued in 1966 represent general obligations of the University and are secured by first mortgages on buildings and sites and by liens on and pledges of project revenues and tuition and fees. The bond indentures require certain deposits to bond and interest sinking funds. In addition, annual payments to maintenance and equipment reserve funds are required from any net revenues that may be derived from certain of the mortgaged facilities.

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The following is a summary of the minimum annual principal and interest payments for long-term debt:

Year	Principal	Interest	Total
2012	3,112,756	7,039,702	10,152,458
2013	3,597,756	6,883,711	10,481,467
2014	3,767,756	6,720,490	10,488,246
2015	3,588,549	6,547,880	10,136,429
2016	3,730,000	6,366,461	10,096,461
Thereafter	114,585,000	71,987,346	186,572,346
	<u>\$ 132,381,817</u>	<u>\$ 105,545,590</u>	<u>\$ 237,927,407</u>

The University recorded interest expense of \$7.6 million in both the years ended August 31, 2011 and 2010, which excludes capitalized interest of approximately \$0.4 million in 2010. As of August 31, 2011 and 2010, the estimated fair value of notes and bonds payable was \$133.2 million and \$155.7 million, respectively. The fair value of notes and bonds payable is based on rates currently available for instruments with similar maturities and credit quality.

The University has a line of credit in the amount of \$15.0 million with Capital One, N.A. at the bank's prime interest rate. As of August 31, 2011, the University had no outstanding borrowings under the line of credit.

7. Interest Rate Swap Transactions

The University has entered into various interest rate swap agreements to reduce exposure to floating interest rates on variable rate debt. These agreements have the effect of fixing the rate of interest on the DASNY Series 2006A bond issue as follows:

Revenue Bonds	Notional Amount (in millions)	Effective Date	Weighted Average Interest Rate
Series 2006A	\$ 14.6	9/1/2006	3.4%
Series 2006A	\$ 22.3	9/1/2006	4.0
Series 2006A	\$ 27.8	9/1/2009	3.6

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These interest rate swap agreements provide that the notional amounts will be reduced in the same amount and at the same time as the corresponding principal of the DASNY Series 2006A bonds. In addition, the notional amounts of the swap agreements associated with the \$5.1 million principal paid down in conjunction the Bank Qualified Direct Placement of the DASNY Subseries 2006A-1 bonds (see Note 6) remain in effect and will be reduced in the same amount and at the same time as the originally scheduled principal amortization of the DASNY Series 2006A bonds. The fair market values of the swap agreements represented liabilities of \$18.0 million and \$18.5 million at August 31, 2011 and 2010, respectively. The fair values of the interest rate swap agreements represent the estimated amounts the University would pay to terminate the agreements. At August 31, 2011 and 2010, there was a requirement to collateralize the obligations under the swap agreements in the amount of \$3.1 million and \$2.8 million, respectively.

8. Charitable Gift Annuities

The University has certain split-interest agreements with donors, which consist of charitable gift annuities. Contribution revenue is recognized at the date the charitable gift agreement is signed, net of a liability for the present value of estimated future payments to be made to the donors and/or other beneficiaries. At August 31, 2011 and 2010, the University reported split-interest agreement obligations of \$1.3 million and \$1.7 million, respectively.

9. Functional Expenses

The University's classification of expenses in the statements of unrestricted revenues, expenses, and other changes in unrestricted net assets are combined by functional category as follows:

	Year Ended August 31,	
	2011	2010
Instruction	\$ 174,127,163	\$ 167,440,695
Academic support	58,936,662	58,374,522
Institutional support	59,841,551	58,233,225
Student services	53,033,595	47,616,347
Auxiliary enterprises	26,451,234	24,281,928
Public Service	3,306,674	4,309,174
Research	1,774,032	1,792,712
	\$ 377,470,911	\$ 362,048,603

Institutional support expenses include fund-raising expenses of \$3.9 million and \$3.4 million for the years ended August 31, 2011 and 2010, respectively.

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10. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	August 31,	
	2011	2010
Academic programs	\$ 6,374,482	\$ 1,790,250
Capital acquisitions	1,248,292	523,805
Charitable gift annuities	50,415	142,089
	\$ 7,673,189	\$ 2,456,144

Permanently restricted net assets represent endowment corpus, which provides investment income principally for scholarships.

11. Endowment Funds

Interpretation of Relevant Law

On September 17, 2011, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). The University's governing board has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Under NYPMIFA, the remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by NYPMIFA and in accordance with the disclosure provisions set forth by ASC 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. As a result of the adoption of ASC 958-205, the University reclassified \$4.5 million from unrestricted net assets to temporarily restricted net assets as of September 1, 2010. This amount represents the accumulated net appreciation of donor-restricted endowment funds.

In accordance with NYPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the University and the donor-restricted endowment fund.
3. General economic conditions.

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4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the University.
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect such alternatives may have on the University.
8. The investment policies of the University.

Endowment Spending Policy

The University's spending policy annually allocates the amount of the total returns which can be spent and reinvested for future earnings for its unitized pooled endowment fund. Under this policy, the University currently appropriates for distribution each year 5% of the average fair value of its pooled endowment fund for the 12 quarters ending the February 28th preceding the fiscal year in which the distribution is planned.

Endowment Investment Policy

The University has adopted investment and spending policies for endowment assets that are intended to preserve and enhance the real (inflation-adjusted) purchasing power of the pooled endowment while providing an increasing stream of funding for University operations in the future. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity, as well as, quasi-endowment funds. Under this policy, the University will attempt to achieve the highest long-term total investment return on investment assets that is compatible with risk tolerance and time horizons consistent with prudent investment practices. The primary investment objective is to provide over time a net annual return equal to the spending rate, plus the rate of inflation, plus 1.5% to 2.0%. To achieve its investment objective, pursuant to the University's investment policy, the pooled endowment fund is allocated among investments that are further characterized as "Fixed Income," "Equity," and "Alternative." The primary objective of the allocation between these three major asset classes is to provide a strategic mix that produces the highest risk adjusted return through a responsible and disciplined investment approach.

Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that is required to be retained as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$3.9 million at August 31, 2011 and \$4.6 million at August 31, 2010. These deficiencies resulted from unfavorable market fluctuations.

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Endowment net assets, excluding split-interest obligations, as of August 31, 2011 consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (3,865,110)	\$ 4,305,046	\$ 45,207,201	\$ 45,647,137
Quasi-endowment funds	35,456,076	-	-	35,456,076
Total Funds	\$ 31,590,966	\$ 4,305,046	\$ 45,207,201	\$ 81,103,213

Changes in endowment net assets, excluding split-interest obligations, for the fiscal year ended August 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 35,870,220	\$ -	\$ 41,138,760	\$ 77,008,980
Net asset reclassification based on change in law	(4,483,163)	4,483,163	-	-
Endowment assets, after reclassification	31,387,057	4,483,163	41,138,760	77,008,980
Investment return:				
Investment income	415,724	-	49,474	465,198
Net appreciation (realized and unrealized)	3,286,664	-	-	3,286,664
Total investment return	3,702,388	-	49,474	3,751,862
Contributions	-	-	4,018,967	4,018,967
Endowment used for spending policy	(3,177,409)	(178,117)	-	(3,355,526)
Transfers from quasi-endowment, net	(321,070)	-	-	(321,070)
	(3,498,479)	(178,117)	4,018,967	342,371
Endowment net assets, end of year	\$ 31,590,966	\$ 4,305,046	\$ 45,207,201	\$ 81,103,213

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Endowment net assets, excluding split-interest obligations, as of August 31, 2010 consist of the following:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (167,022)	\$ 41,138,760	\$ 40,971,738
Quasi-endowment funds	<u>36,037,242</u>	<u>-</u>	<u>36,037,242</u>
 Total Funds	 <u>\$ 35,870,220</u>	 <u>\$ 41,138,760</u>	 <u>\$ 77,008,980</u>

Changes in endowment net assets, excluding split-interest obligations, for the fiscal year ended August 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	<u>\$ 34,634,202</u>	<u>\$ 40,723,929</u>	<u>\$ 75,358,131</u>
 Investment return:			
Investment income	338,887	84,885	423,772
Net depreciation (realized and unrealized)	2,256,350	-	2,256,350
Total investment return	<u>2,595,237</u>	<u>84,885</u>	<u>2,680,122</u>
 Contributions	-	662,180	662,180
Endowment used for spending policy	(3,420,314)	-	(3,420,314)
Transfers to create quasi-endowment	1,728,861	-	1,728,861
Other reclassifications	332,234	(332,234)	-
	<u>(1,359,219)</u>	<u>329,946</u>	<u>(1,029,273)</u>
 Endowment net assets, end of year	 <u>\$ 35,870,220</u>	 <u>\$ 41,138,760</u>	 <u>\$ 77,008,980</u>

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12. Retirement and Employee Benefit Plans

Postretirement Benefits

The University provides eligible employees with certain health insurance benefits upon retirement. Eligibility is based upon both minimum age and minimum years of service at retirement. The lifetime benefit may not exceed \$50,000 and ceases upon death of the employee. The cost of these benefits is recognized in the financial statements throughout the employee's active employment with the University.

The following table summarizes the University's liability and the net periodic postretirement benefit cost:

	<u>2011</u>	<u>2010</u>
Postretirement benefit obligation:		
Retirees	\$ 17,291,301	\$ 16,781,531
Fully eligible active plan participants	12,417,047	11,884,879
Other active plan participants	14,512,444	14,538,450
Accrued postretirement benefit cost	<u>\$ 44,220,792</u>	<u>\$ 43,204,860</u>
Change in postretirement benefit obligation:		
Postretirement obligation at beginning of year	\$ 43,204,860	\$ 40,527,875
Service cost	1,734,551	1,496,316
Interest cost	1,779,269	2,051,376
Change in assumptions	-	4,724,562
Actuarial gain	(212,149)	(3,624,091)
Benefits paid	(2,285,739)	(1,971,178)
Postretirement benefit obligation at end of year	<u>\$ 44,220,792</u>	<u>\$ 43,204,860</u>
Components of net periodic postretirement benefit cost:		
Service cost	\$ 1,734,551	\$ 1,496,316
Interest cost	1,779,269	2,051,376
Net amortization and deferral	(36,822)	(263,546)
Net periodic postretirement benefit cost	<u>\$ 3,476,998</u>	<u>\$ 3,284,146</u>

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The following table summarizes the items not yet recognized as a component of net periodic postretirement benefit cost:

	Year Ended August 31,	
	2011	2010
Prior service cost	\$ (3,229,653)	\$ (4,087,323)
Net actuarial losses	10,681,162	11,714,159
Total unamortized items	\$ 7,451,509	\$ 7,626,836

The unrecognized prior service cost and net actuarial losses that will be amortized into net periodic postretirement benefit cost over the next fiscal year are as follows:

Prior service cost	\$ (857,670)
Net actuarial losses	769,001
	\$ (88,669)

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The following assumptions were used in calculating the postretirement benefit obligation:

	<u>2011</u>	<u>2010</u>
Discount rate - benefit obligation	4.25%	4.25%
Discount rate - benefit cost	4.25	5.50
Healthcare trend rates:		
Current year	4.25	5.00
Thereafter	4.25	4.25

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare benefit retirement plan. A one-percentage point change in assumed healthcare costs trend rates would have the following effects:

	<u>2011</u>	<u>2010</u>
Effect on total service and interest cost components:		
1% point decrease	\$(326,228)	\$(309,878)
1% point increase	\$370,182	\$349,592
Effect on the postretirement liability:		
1% point decrease	\$(2,953,380)	\$(2,563,440)
1% point increase	\$3,262,414	\$2,825,231

Projected premium payments in future fiscal years are as follows:

<u>August 31,</u>	<u>Amount</u>
2012	3,270,121
2013	3,405,870
2014	3,554,485
2015	3,690,578
2016	3,803,228
2017-2021	19,895,075

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Defined Contribution Plan

The University has a defined contribution retirement plan with Teachers Insurance and Annuity Association and College Retirement Equities Fund, which covers substantially all full-time academic and certain other salaried employees. Total pension expense under this plan for the years ended August 31, 2011 and 2010 amounted to \$12.8 million and \$12.6 million, respectively.

Early Retirement Plan for Tenured Faculty

The University provides an early retirement program for tenured faculty who have completed ten years of service, which generally provides for the payment of the benefit over a five-year period. In addition, during fiscal 2007, the University offered a one-time retirement program to eligible faculty who were age 68 and over and who elected to retire on or before September 1, 2007. This benefit was payable over a three-year period.

At August 31, 2011 and 2010, the University's liability for the benefits payable under these programs was \$5,736,566 and \$5,539,471, respectively, net of imputed interest of \$42,353 and \$75,324, respectively, using a discount rate of 0.33% and 0.72%, respectively. Such payments are expected to be made as follows:

Year Ending August 31,	Amount
2012	2,141,851
2013	1,672,222
2014	872,432
2015	647,646
2016	444,768
	<u>\$ 5,778,919</u>

Early Retirement Incentive Program

During fiscal 2009, the University offered a one-time early retirement program to all employees of the University who had completed ten years of service. The plan provides for a lump sum payment and contributions to offset medical insurance costs not to exceed nine months from date of termination of employment. At August 31, 2011 and 2010, the University's liability for benefits under this program, as well as certain non-renewals of employee contracts, totaled \$0.2 million and \$0.6 million, respectively.

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13. Self-Insurance

The University has insurance coverage for workers' compensation, general liability, property, and employee medical benefits, which is subject to certain deductibles and self-insurance retention limits. As of August 31, 2011 and 2010, the estimated self-insurance liability for these programs was \$4.4 million and \$4.1 million, respectively. In connection with the University's workers' compensation program, the University is required to maintain a collateral letter of credit of approximately \$2.2 million.

14. Leases

The University conducts certain of its operations in leased facilities. Total lease expense was \$6.4 million and \$5.3 million for the years ended August 31, 2011 and 2010, respectively. Future minimum lease payments under non-cancelable operating leases with initial or remaining lease terms in excess of one year are as follows:

Year Ending August 31,	Amount
2012	7,080,124
2013	6,777,473
2014	6,988,242
2015	6,866,341
2016	7,027,409
Thereafter	20,521,669
	\$ 55,261,258

15. Contingencies

The University is presently a defendant in several lawsuits arising from the normal conduct of its affairs. Management of the University, pursuant to the advice of counsel, is of the opinion that settlement, if any, of the aforementioned litigation will not have a material adverse impact on the financial position of the University.

The University is subject to certain financial ratios prescribed by the Department of Education (DOE) in connection with its participation in federal student financial aid programs. The University has been notified by the DOE that as a result of its composite financial ratio score for the fiscal years ended August 31, 2009 and 2010, it is permitted to request and receive funds from the DOE only after disbursing the funds to eligible students. While the University has not yet received formal notification from the DOE, management has determined that as a result of its composite financial ratio score for the fiscal year ended August 31, 2011, the DOE may require that the University establish an irrevocable letter of credit in 2012 for a portion of its federal student financial aid, as well as comply with certain other requirements. Management believes that it can comply with these requirements if they are imposed and that there will be no change in the University's ability to administer its federal student financial aid programs.

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Under the terms of federal and state grants, the University is subject to periodic audits. In the opinion of management, such audits will not have a material adverse impact on the financial position of the University.

16. Subsequent Event

The University evaluated subsequent events after the statement of financial position date of August 31, 2011 through December 5, 2011 which was the date the financial statements were issued.

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**APPENDIX C - SUMMARY OF CERTAIN PROVISIONS
OF THE LOAN AGREEMENT**

The following is a brief summary of certain provisions of the Loan Agreement. Such 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. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

Construction of Projects

The University agrees that, whether or not there is sufficient money in the Construction Fund or otherwise available to it under the provisions of the Resolution, the Series Resolution and the Loan Agreement, the University 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 relating thereto. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of money available in the Construction Fund, cause the University to be reimbursed for, or pay, any costs and expenses incurred by the University which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld or delayed.

(Section 5)

Project Amendment

The Project may be amended with the prior written consent of the Authority, which consent will not be unreasonably withheld, 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. The University shall provide such money as in the reasonable judgment of the Authority may be required for the cost of completing the Project in excess of the money in the Construction Fund, whether such money is required as a result of an increase in the scope of the Project or otherwise.

(Section 6)

Financial Obligations; Nature of Obligations.

(a) Except to the extent that money is available therefor under the Resolution or under the Loan Agreement, including money in the Debt Service Fund (other than money required to pay the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased, plus interest accrued to the date of redemption or purchase), and excluding interest accrued but unpaid on investments held in the Debt Service Fund, the University by the Loan Agreement unconditionally agrees to pay, or cause to be paid, to or upon the order of the Authority, from its general funds or any other money legally available to it:

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

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

(iii) On the tenth (10th) day of each month, one-sixth (1/6) of the interest, if any, coming due on the Bonds on the next succeeding interest payment therefor;

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

(v) Unless the redemption of Bonds at the option of the Authority or any purchase thereof in lieu of optional redemption is subject to the condition that sufficient money is available on the redemption date or the purchase date, on or prior to the date any notice of optional redemption or purchase in lieu of optional redemption is given, the Redemption Price or purchase price of the Bonds previously called for redemption or to be purchased;

(vi) On December 10th of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year, and on June 10th of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year;

(vii) 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 (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to paragraph (e) of this section and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, including, but not limited to, costs and expenses of insurance and auditing, (iv) for the costs and expenses incurred by the Authority to compel full and punctual performance by the University of all the provisions of the Loan Agreement or the Mortgage, in accordance with the terms of the Loan Agreement or the Mortgage, and (v) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution and the Series Resolution;

(viii) Promptly upon demand by the Authority (a copy of which demand shall be furnished to the Trustee), all amounts required to be paid by the University as a result of an acceleration pursuant to the Loan Agreement; and

(ix) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund or otherwise available for the payment of any rebate required by the Code to be made 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 Bonds.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the University shall receive a credit against the amount required to be paid by the University during a Bond Year pursuant to paragraph (iv) of this section (a) on account of a Sinking Fund Installment if, prior to the date notice of redemption is given for the redemption of the Bonds to be redeemed through such Sinking Fund Installment prior to the succeeding September 1, the University delivers to the Trustee for cancellation one or more Bonds to be so redeemed on such September 1. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

The Authority by the Loan Agreement directs the University, and the University by the Loan Agreement agrees to make: (1) the payments required by subparagraphs (iii) and (viii) of this paragraph (a), directly to the Trustee for deposit in the Debt Service Fund and application in accordance with the Resolution or the Series Resolution; (2) the payments required by subparagraph (v) of this paragraph (a), directly to the Trustee for payment of the Redemption Price or purchase price of Bonds called for optional redemption or purchase in lieu of optional redemption; (3) the payments required by subparagraph (ii) of this paragraph (a), directly to the Trustee for deposit in the Construction Fund or other fund or account established under the Resolution or the Series Resolution, as directed by the Authority; (4) the payments required by subparagraph (vii) of this paragraph (a), directly to the Trustee for application in accordance with the Resolution; (5) the payments required by subparagraph (ix) of this paragraph (a), directly to the Trustee for deposit in the Arbitrage Rebate Fund, and (6) the payments required by subparagraphs (i) and (vi) of this paragraph (a), directly to the Authority.

(b) Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in this paragraph), (1) all money paid by the University to the Trustee pursuant to subparagraphs (iii), (iv) and (viii) of paragraph (a) of this subsection (other than money received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the University's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment are applied to the payment of the principal or Redemption Price of or interest on the Bonds, and (2) the transfer by the Trustee of any money (other than money described in clause (1) of this paragraph (b)) held by it in the Construction Fund to the Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the University of a payment in satisfaction of the University's indebtedness to the Authority with respect to the Redemption Price of the Bonds to the extent of the amount of money transferred. Immediately after receipt or transfer of such money, as the case may be, by the Trustee, the Trustee shall hold such money in trust in accordance with the applicable provisions of the Resolution and the Series Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or applicable payment date of any payment to the Holders of the Bonds, except in respect to the payment to the University by the Trustee as provided for in the Resolution.

(c) The obligations of the University 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 University may otherwise have against the Authority, the Trustee or any Holders of the Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of the University to complete the Project or the completion thereof with defects, failure of the University to occupy or use the Project, any declaration or finding that the Bonds are or the Resolution or the Series 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 in the Loan Agreement contained 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 University 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 University for, or to pay, the Costs of the Project beyond the extent of money in any fund or account established in connection with the issuance of bonds by the Authority for payment of the Costs of the Project.

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

(d) The Authority, for the convenience of the University, shall furnish to the University 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 University shall notify the Authority as to the amount and date of each payment made to the Trustee by the University.

(e) The Authority shall have the right in its sole discretion to make on behalf of the University any payment required pursuant to this section which has not been made by the University when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under the Loan Agreement arising out of the University'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 University to make such payment.

(f) The University, if there is not then an Event of 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 accordance with the directions of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the University or any deposit in the Debt Service Fund made pursuant to paragraph (b) of this section, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution; 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 or the Series Resolution, and to purchase or redeem all Bonds then Outstanding, or to pay or provide for the payment of all Bonds then Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the University, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(g) As soon as practicable after the Project is deemed to be complete in accordance with the Loan Agreement, the Authority shall determine, and notify the University of, the actual Authority Fee incurred by the University in connection with the Project to the date of such notice. The balance, if any, of such Authority Fee then unpaid, to the extent not paid from the Construction Fund, shall be paid by the University pursuant to paragraph (a) of this section. If upon such determination the actual amount of the Authority Fee incurred by the University in connection with the Project to the date of such notice is less than the amount paid theretofore, the Authority shall promptly refund to the University the amount paid in excess of such actual amount.

(Section 9)

Reserve Funds

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

The University may deliver to the Trustee a Reserve Fund Facility for all or any part of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and the University is required to restore the Debt Service Reserve Fund to the level of the Debt Service Reserve Fund Requirement, the University shall reimburse directly, or pay to the Authority an amount sufficient to reimburse, the applicable provider in order to cause such Reserve Fund Facility to be restored to its full amount and shall then deliver any additional moneys or Government Obligations or Exempt Obligations necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(b) The delivery to the Trustee of Government Obligations, Exempt Obligations, other securities and any Reserve Fund Facility from time to time made by the University pursuant to this Section shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the University's obligations hereunder and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The University authorizes the Authority pursuant to the Resolution to pledge such Government Obligations, Exempt Obligations, other securities and Reserve Fund Facility to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the 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 hereof and of the Resolution or the Series 2012 Resolution.

(c) All Government Obligations, Exempt Obligations and other securities deposited with the Trustee pursuant to this Section, other than United States Treasury Certificates of Indebtedness State and Local Government Series ("SLGS") (subject to provisions for registration thereof), and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All such Government Obligations, Exempt Obligations and other securities in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Government Obligations, Exempt Obligations and other securities shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The University hereby appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

(d) The University hereby agrees that upon each delivery to the Trustee of Government Obligations or Exempt Obligations, whether initially or upon later delivery or substitution, the University shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the University to the effect that the University warrants and represents that the Government Obligations, Exempt Obligations or other securities delivered by the University:

(i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition thereof as contemplated hereby, by the Series Resolutions or by the Resolution; and

(ii) are pledged hereunder pursuant to appropriate corporate action of the University duly had and taken.

(e) Prior to the initial delivery of Government Obligations, Exempt Obligations or other securities to the Trustee pursuant to this Section, and upon any later delivery or substitution, the University will, at its cost and expense, provide to the Authority and the Trustee a written opinion of counsel satisfactory to the Authority to the effect that the University has full corporate power and authority to pledge such Government Obligations, Exempt Obligations and other securities as security in accordance herewith, such Government Obligations, Exempt Obligations and other securities have been duly delivered by the University to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms hereof and of the Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Government Obligations, Exempt Obligations and other securities delivered by the University are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restriction which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated hereby or by 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 University pursuant hereto, the University does hereby continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the University's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues. This pledge, security interest and assignment shall have the priority provided for in the applicable intercreditor agreement.

The University represents and warrants that (i) except as permitted in Schedule D to the Loan Agreement, no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any Lien (other than the Existing Pledges), (ii) all corporate action on the part of the University to authorize the pledge thereof and the granting of a security interest therein has been duly and validly taken, and (iii) the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the University's performance under the Loan Agreement. The University covenants and agrees that (i) other than as permitted by Schedule D to the Loan Agreement, it shall not hereafter 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 of the Pledged Revenues made by this paragraph and (ii) 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 Bonds against all claims and demands of all persons whomsoever.

(Section 11)

Collection of Pledged Revenues

(a) Subject to the provisions of paragraph (b) of this paragraph and the terms of any intercreditor agreement relating to Parity Debt, commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the University shall deliver to the Trustee for deposit in accordance with the Resolution and the Series Resolution all Pledged Revenues (other than the Parity Debt) within ten (10) days following the University'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 March 1 or September 1, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding September 1, and (iii) the Redemption Price or purchase price of Outstanding 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 University 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 paragraph, but the University shall continue to deliver to the Trustee for deposit in accordance with the Resolution any payments received by the University with respect to the Pledged Revenues (other than such amounts as are subject to the Prior Pledges).

(b) Notwithstanding anything to the contrary in paragraph (a) above, in the event that, on or prior to the date on which a payment is to be made pursuant to the provisions of the Loan Agreement described above in paragraph (a) of the section entitled "Financial Obligations; Nature of Obligations" on account of the principal, Sinking Fund Installments or Redemption Price of or interest on Outstanding Bonds, the University has made such payment from its general funds or from any other money legally available to it for such purpose, the University shall not be required solely by virtue of the previous paragraph to deliver Pledged Revenues to the Trustee.

(c) Any Pledged Revenues collected by the University 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 University for any of its corporate purposes provided that no Event of Default 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)

Mortgage

At or before the delivery by the Authority of the Bonds, the University shall execute and deliver to the Authority a mortgage as described in the Loan Agreement, in form and substance acceptable to the Authority, in recordable form, mortgaging the Mortgaged Property to the Authority, which Mortgage shall constitute a first lien on such Mortgaged Property, subject only to the Permitted Encumbrances.

(Section 13)

Warranty as to Title; Liens; Title Insurance

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

The University covenants that title to the Project and the Mortgaged Property shall be kept free from any Liens or commitments of any kind, other than Permitted Encumbrances and liens in connection with Parity Indebtedness under the Loan Agreement and such other Liens, commitments with respect thereto or other matter approved in writing by the Authority and the Bank.

The University warrants, represents and covenants that (i) the Project and the Mortgaged Property are and/or shall be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation), and (ii) to the extent applicable, the Project and Mortgaged Property shall have its own separate and independent means of access, apart from any other property owned by the Institute or others. Such access, however, may be through common roads or walks owned by the Institute used also for other parcels owned by the University.

(Section 14)

Consent to Pledge and Assignment

(a) The University consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of (i) the Authority's rights to receive the payments required to be made pursuant to the provisions of the Loan Agreement, (ii) the security interest in and pledge of the Pledged Revenues and the Mortgage granted by the University pursuant to the Loan Agreement, and (iii) all funds and accounts established by the Series Resolution pledged thereby, in each case to the extent pledged and assigned pursuant to or in accordance with the Resolution and the Series Resolution, to secure any payment or the performance of any obligation of the University under the Loan Agreement or arising out of the transactions contemplated hereby whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The University further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized by this Section, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the University's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the University under the Loan Agreement.

(b) The University warrants and represents that:

(i) it has the requisite power and authority to enter into the Loan Agreement and to incur the indebtedness contemplated thereby in the manner and to the extent provided in the Loan Agreement, therein and in the Resolution and the Series Resolution, to make and deliver the Mortgage and to pledge and grant a security interest in the Pledged Revenues and the Mortgaged Property to the Authority as security for performance of its obligations under the Loan Agreement;

(ii) the Loan Agreement and the Mortgage are valid, binding and legal obligations of the University enforceable against the University in accordance with their respective terms; provided, however, that such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting or relating to the rights of creditors generally and general principles of equity; and

(iii) the execution and delivery of the Loan Agreement and the Mortgage, the pledge of and grant of a security interest in the Pledged Revenues and the Mortgaged Property, the consummation of the transactions contemplated thereby and compliance with the provisions of the Loan Agreement and thereof do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the University or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the University is 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 University or any of its properties.

(Section 15)

Tax-Exempt Status of University

The University 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 unrelated business income subject to the taxation under Section 511 of the Code.

The University covenants that: (a) it shall not perform any act or enter into any agreement which will 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 University 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 any Project to be used in a manner, or for any trade or business unrelated to the purposes of the University, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Securities Acts Status

The University represents that it is an organization organized and operated: (i) exclusively for educational, benevolent or charitable purposes; (ii) not for pecuniary profit; and (iii) 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 University 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 17)

Maintenance of Corporate Existence

The University covenants that it will maintain its corporate existence, will continue to operate as a non-profit educational organization, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for it to continue to operate, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another person or entity or permit one or more persons or entities to consolidate with or merge into it. The University, with the prior written consent of the Authority may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c)(3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or other organizations.

(Section 18)

Environmental 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 or (ii) the New York State Historic Preservation Act of 1980 and the regulations promulgated thereunder, the University agrees to abide by the requirements relating thereto set forth in the Loan Agreement.

(Section 19)

Use and Control of the Project; Restrictions on Religious Use

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the University shall have sole and exclusive control and possession of and responsibility for (i) the Project and the Mortgaged Property, (ii) the supervision of the activities conducted therein or in connection with any part thereof and (iii) the maintenance, repair and replacement of the Project.

The University agrees that with respect to the Project or portion thereof, so long as the Project or portion thereof exists and unless and until the Project or a portion thereof is sold for the fair market value thereof, such Project or any portion thereof will not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction will not prohibit the free exercise of any religion; and provided, further, that if at any time after the effective date of the Loan Agreement, in the opinion of Bond Counsel, the then applicable law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to the Project and each portion thereof.

(Sections 20 and 21)

Maintenance, Repair and Replacement

The University agrees that, throughout the term of the Loan Agreement, it shall, at its own expense, hold, operate and maintain the Project and the 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 condition, reasonable wear and tear expected and will from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project and the Mortgaged Property may be properly and advantageously conducted.

The University further agrees that it will 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 22)

Covenant as to Insurance

The University agrees to maintain or cause to be maintained insurance with insurance companies or by means of 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 University, 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 University shall at all times also maintain workers' compensation coverage and disability benefits insurance coverage as required by the laws of the State.

If the Authority shall so request in writing, the University shall provide to the Authority summaries or other evidence of its insurance coverage and shall obtain endorsements reasonably requested by the Authority.

(Section 23)

Damage or Condemnation

In the event of a taking of the Project or the Mortgaged Property or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of the Project or the Mortgaged Property, then and in such event proceeds of any insurance, condemnation or eminent domain award shall, if in excess of \$250,000, be paid upon receipt thereof by the University or the Authority to the Trustee for the Bonds for deposit in the Construction Fund, and (i) if within one hundred twenty (120) days from the receipt by the Authority of actual notice or knowledge of the occurrence, the University and the Authority agree in writing that the Mortgaged Property or the Project or the affected portion thereof shall be repaired, replaced or restored, the University shall proceed to repair, replace or restore the Mortgaged Property or the Project, or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as commercially possible with such changes and additions as shall be appropriate to the needs of the University and approved in writing by the Authority, such approval not to be unreasonably withheld or delayed. The funds required for such repair, replacement or restoration shall be paid from time to time as the work progresses, 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 University; (ii) if no agreement for the repair, restoration or replacement the Project or the affected portion thereof shall be reached by the Authority and the University within such one hundred twenty (120) day period, the proceeds then held by the University shall be paid to the Trustee for deposit to 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 Bonds.

(Section 24)

Taxes and Assessments

The University shall pay when due without penalty 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 or the Mortgaged Property or any part thereof, and upon all ordinary costs of operating, maintaining, renovating, repairing and replacing the Project and the Mortgaged Property and its equipment. The University shall file exemption certificates as required by law. The University 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 will be deemed to be in complete compliance with the requirements set forth in the Loan Agreement if the University sets aside such reserves as may be required by good accounting practices. Notwithstanding the foregoing, the Authority in its sole discretion, after notice in writing to the University, may pay (such payment shall be made under protest if so requested by the University) any such charges, taxes and assessments if, in the reasonable judgment of the Authority, the Project or the Mortgaged Property or any part thereof, would be in substantial danger by reason of the University'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, under the Series Resolution, 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, under the Series Resolution, the Resolution or the Mortgage; or (iv) the ability of the University to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement and the University 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 25)

Defaults and Remedies

As used in the Loan Agreement the term "Event of Default" shall mean:

- (a) the University shall default in the timely payment of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid by the University in accordance with the Loan Agreement, the Series Resolution or with the Resolution, and such default continues for a period in excess of seven (7) days;
- (b) the University defaults in the due and punctual performance of any other covenant 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 University by the Authority or Trustee or, if such default is not capable of being cured within thirty (30) days, the University fails to commence to cure the same within such thirty (30) days or to diligently prosecute the cure thereof;
- (c) as a result of any default in payment or performance required of the University pursuant to 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 Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) the University (i) is not generally paying its debts as they become due, (ii) files, or consents 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, (iii) makes a general assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) is adjudicated insolvent or liquidated or (vi) takes corporate action for the purpose of any of the foregoing;

(e) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the University, 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 is 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 University, or any petition for any such relief is filed against the University and such petition is not dismissed or stayed within ninety (90) days;

(f) the charter of the University is suspended or revoked;

(g) a petition to dissolve the University shall be filed by the University 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 University;

(h) an order of dissolution of the University 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 University, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

(i) 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 University, which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

(j) 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 University, which order shall remain undismissed or unstayed for the earlier of (x) three Business Days prior to the date provided for in such order for sale, disposition or distribution or (y) an aggregate of thirty (30) days from the date such order shall have been entered;

(k) 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 University, which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against the University and at any time after forty-five (45) days from the entry thereof, (i) such judgment has not been discharged, or (ii) the University 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;

(l) the University shall be in default on any Parity Debt; or

(m) the University shall be in default under the Mortgage.

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

(a) declare all sums payable by the University under the Loan Agreement immediately due and payable;

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

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

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

(e) 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 sections of the Loan Agreement described above under the headings "Security Interest in Pledged Revenues" and "Collection of Pledged Revenues", by any one or more of the following actions: (A) enter the University and examine and make copies of the financial books and records of the University 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 money in the possession of the University 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) the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Bonds on the next interest payment date therefor, subject to the Existing Pledges, and may continue to do so commencing on each such interest payment date to the extent of amounts due on Outstanding 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 University five (5) days prior to mailing or otherwise making such notification to account debtors and (3) until the University 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 University's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the University whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the University to deposit all money, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned hereunder 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 money in such fund or account shall be applied by the Authority to the payment of any of the obligations of the University under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the University 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 University when all Events of Default under the Loan Agreement by the University have been cured; (E) forbid the University 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 University any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof; and

(f) to the extent permitted by law, (i) enter upon the Project and complete the construction of the Project 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 University, consent to such entry being given by the University under the Loan Agreement, (ii) at any time discontinue any work commenced in respect of the construction of a Project or change any course of action undertaken by the University and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the University 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 University, whether or not previously incorporated into the construction of such Project, and (iv) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of the Loan Agreement (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (y) pay, settle or compromise all bills or claims which may become liens against the Project or against any money of the Authority applicable to the construction of the 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 or defects in the title to the Project or against any money of the Authority applicable to the construction of the Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The University will be liable to the Authority for all sums paid or incurred for construction of the Project whether the same is paid or incurred pursuant to the Loan Agreement 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 University to the Authority upon demand. The University 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 University for the purpose of exercising the rights granted to the Authority by the Loan Agreement during the term of the Loan Agreement; and

(g) foreclose the Mortgage or take such other action as the Authority may consider necessary or appropriate to enable the Authority to realize on its lien on the Mortgaged Property, or by law, including foreclosure of the Mortgage, and any other action or proceeding as permitted hereby, by the Mortgage or by law.

All rights and remedies given or granted to the Authority in the Loan Agreement are to the extent permitted by law, cumulative, nonexclusive 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 subparagraph (i) of paragraph (a) of this section and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 29)

Investment of Moneys

The Authority may in its sole discretion direct the investment of certain moneys held under the Resolution as provided therein.

(Section 32)

Limitation on Agreements

The University shall not enter into any contract or agreement or perform any act which may materially adversely affect any of the rights of the Authority under the Loan Agreement or of the Holders of any Bonds.

(Section 34)

Arbitrage; Tax Exemption

Each of the University 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 Bonds, which would cause the Bonds or any Series of 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 Bonds at the time of such action, investment or use or otherwise cause interest on the Bonds to be included in the gross income of the owners thereof for purposes of federal income taxation. Neither the University nor any "related person" (as such term is defined in Section 147(a)(2) of the Code) shall purchase any 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 University or by a related person of Bonds will not cause interest on the Bonds to be included in the gross income of the owners of the Bonds for purposes of federal income taxation.

The University covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the University contained in a Tax Certificate then to be untrue and shall comply with all covenants and agreements of the University contained in each Tax Certificate, unless, in the opinion of Bond Counsel, taking or failing to take such action or failing to comply with its obligations under a Tax Certificate would not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

In the event that the Authority is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the University. In the event that the University is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Authority. Upon the occurrence of such an event, the University and the Authority shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of earnings and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the University and its agents and representatives, any of whom may make copies thereof. Upon written request therefor from the University the Authority shall as soon as practicable provide the University with a copy of any such document, report or computation. The Authority shall also provide the University with a copy of all documents or reports filed with the Department of Treasury of the United States of America relating to the rebate of earnings.

(Section 35)

Certificate as to Representations and Warranties

The obligations of the Authority under the Loan Agreement and the delivery of the Bonds are conditioned upon the receipt by the Authority at or prior to delivery of the Bonds of a certificate of an Authorized Officer of the University acceptable to an Authorized Officer of 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 Bonds as if made on the date of delivery of the Bonds.

(Section 36)

Amendments to Loan Agreement

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

(Section 40)

Termination

The Loan Agreement will remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the University shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the University to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred under the Loan Agreement shall nevertheless survive any such termination.

(Section 41)

Additional Covenants

The Loan Agreement contains certain covenants of the University wherein the University agrees to the following:

Maintenance of Covenants

Debt Service Coverage Ratio Covenant

(i) The Debt Service Coverage Ratio Requirement. During each Fiscal Year, the University 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 University shall file with the Authority a certificate of an Authorized Officer of the University 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 University 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 University 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 University's Fiscal Year ending in 2013, the University covenants to have available on each Testing Date (a) for Fiscal Years ending in 2013 through 2015, Available Assets at least equal to 40% of the University's Long-Term Indebtedness, (b) for Fiscal Years ending in 2016 through 2018, Available Assets at least equal to 50% of the University's Long-Term Indebtedness, and (c) for Fiscal Years ending in 2019 and thereafter, the University covenants to have available on each Testing Date, Available Assets at least equal to 60% of the University's Long-Term Indebtedness.

(ii) Reporting Requirement. On or prior to each Reporting Date, the University shall file with the Authority a certificate of an Authorized Officer of the University 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 (a) the University 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 prior Fiscal Year to the current Fiscal Year is thirty-five percent (35%) or greater, or (c), 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 University 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.

Management Consultant Call-In. If the Authority elects to require the University to retain the services of a Management Consultant in accordance with the provisions described under "Maintenance Covenants", then the Authority shall, at its election which shall be exercised in writing within sixty (60) days after notice of the applicable covenant failure, request the University to engage, at the University's expense, a Management Consultant to review the fees and tuition, operations and management of the University 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 University to comply with such covenants within a reasonable period acceptable to the Authority. The University shall engage a Management Consultant within sixty (60) days after such request by the Authority.

Compliance With Recommendations. Whenever a Management Consultant is required to be engaged by the University pursuant to this section, copies of the report and recommendations of such Management Consultant shall be filed with the Authority, the Trustee, the Board of Trustees of the University and an Authorized Officer of the University no later than one hundred twenty (120) days following the date of the engagement of such Management Consultant. The University 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 or its debt and investment management and shall take such other action as shall be in conformity with such recommendations. The University shall deliver to the Authority and the

Trustee within forty-five (45) days after receipt of such Management Consultant's report; (A) a report setting forth in reasonable detail the steps the University 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 University accepting both the Management Consultant's report and the report prepared by the University as required in the previous paragraph; and, subsequently, (C) quarterly reports demonstrating the progress made by the University in implementing the recommendations of the Management Consultant.

If the University complies in all material respects with the reasonable recommendations of the Management Consultant to the satisfaction of the Authority, the University will be deemed to have complied with the covenants described above under the heading "Maintenance of Covenants" for the University's Fiscal Year in which the Management Consultant's report is delivered.

Additional Indebtedness

Except as otherwise provided below, the University will not hereafter issue, incur, assume or guaranty any Indebtedness without the prior written consent of the Authority.

Long-Term Indebtedness. The University may issue, incur, assume or guaranty 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" rating category without regard for "+" or "-" 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 University provides to the Authority a certificate of an Authorized Officer of the University containing pro forma calculations demonstrating that the maintenance covenants described in Section 2 of this Schedule D 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 University may issue, incur, assume or guaranty Refunding Debt without the consent of the Authority or compliance with the requirements of described above under the heading "Long-Term Indebtedness" provided that, after giving effect to such Refunding Debt, the Annual Debt Service on the University'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 University 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 University 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 University after the issuance of the Bonds.

Short-Term Indebtedness. The University 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 Bonds shall be subject to the consent of the Authority and execution of an intercreditor agreement between the Authority and any other parties with an interest in such collateral that is to be shared on a parity with such Indebtedness.

Exceptions

Notwithstanding the foregoing, the University will not be considered to have failed to meet the Debt Service Coverage Ratio requirement in accordance with the provisions described under the heading "Debt Service Coverage Ration Covenant" or the Available Assets to Debt Ratio requirement in accordance with the provisions described under the heading "Available Assets to Debt Service Covenant" if the University can demonstrate that such failure was solely due to a change in generally accepted accounting

principles applicable to the University or to the application to the University of generally accepted accounting principles not previously applicable to the University.

Amendments

The Authority and the University may, without obtaining the consent of the Trustee or the Bondholders, amend the provisions of Schedule D to the Loan Agreement and the related definitions upon which the calculations included in Schedule D are based to provide for other alternative measures of the University's performance and ability to issue, incur, assume or guaranty additional Indebtedness.

APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution pertaining to the Bonds. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. 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

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the 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, 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 such Bonds, 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 such Bonds over any other Bonds except as expressly provided in or permitted by the Resolution.

(Section 1.03)

Additional Bonds and Other Obligations

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions. The Authority, in addition to other requirements, shall receive a certificate of an Authorized Officer of the University stating that the University is not in default under the Loan Agreement, an opinion of Bond Counsel concerning the validity of the Resolution and the Bonds, and, if there is Collateral Security given to secure the Loan Agreement related to such Series of Bonds, which Collateral Security related to such Bonds constitutes Shared Collateral, an Intercreditor Agreement or an amendment to or modification of an existing Intercreditor Agreement, executed in connection with issuance of such Bonds.

(Section 2.02)

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)

Pledge of Resolution

The proceeds from the sale of the Bonds of a Series, the Revenues derived from the Loan Agreement entered into in connection with the Bonds of such Series or from any realization upon any Collateral Security given in connection with such Loan Agreement, and, except as otherwise provided in the Resolution, all funds and accounts established by or pursuant to the Series Resolution authorizing the issuance of such Series of Bonds are pledged and assigned to the Trustee as security for the payment of the principal and Redemption Price of and interest on the Bonds of such Series and as security for the performance of any other obligation of the Authority under the Resolution and under the Series Resolution authorizing the issuance of such Series of Bonds, all in accordance with the provisions thereof.

The pledges made are valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, all funds and accounts established by or pursuant to any Series Resolution which are pledged by the Resolution and the Authority's security interests in the Collateral Security 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 the

Bonds of such Series, the Revenues, all the funds and accounts established by or pursuant to the Series Resolution authorizing the issuance of the Bonds of such Series which are pledged by the Resolution as provided in the Resolution and the Authority's security interest in the Collateral Security.

(Section 5.01)

Establishment of Funds and Accounts

The following funds are established by the Resolution and shall be held and maintained by the Trustee:

Construction Fund, consisting of the Project Account, the Capitalized Interest Account and the Cost of Issuance Account;

Debt Service Fund;

Arbitrage Rebate Fund;

Debt Service Reserve Fund, if any.

(Section 5.02)

Application of Money in the Construction Fund

As soon as practicable after the delivery of each Series of Bonds, the Trustee shall deposit in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing the issuance of such Series of Bonds or by the Bond Series Certificate relating to such Series. Moneys deposited in the Construction Fund shall be used only to pay Costs of Issuance of the applicable Series of Bonds and the Costs of the Project. The Trustee shall also deposit in the Construction Fund all amounts paid to it by the University which by the terms of the Loan Agreement are required to be deposited therein.

Upon receipt by the Trustee of a certificate relating to the completion of the Project, the money, if any, then remaining in the Construction Fund, 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 the 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 Arbitrage Rebate Fund, the amount set forth in such direction; and

Second: To the Debt Service Fund, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

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

First: To the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until August 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds payable on or prior to the next succeeding September 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond on and prior to the next succeeding September 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, (the Sinking Fund Installments of Outstanding Option Bonds and Variable Interest Rate Bonds payable on or prior to the next succeeding September 1 and (c) the purchase price or Redemption Price of the Outstanding Bonds of such Series theretofore contracted to be purchased or called for redemption pursuant to the provisions of the Resolution summarized herein under the heading "Debt Service Fund," 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 March 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond on and prior to the next succeeding March 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 the Outstanding Bonds of such Series theretofore contracted to be purchased or called for redemption pursuant to the provisions of the Resolution summarized herein under the heading "Debt Service Fund," plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse each Facility Provider for Provider Payments which are then unpaid the respective Provider Payments then unpaid to each Facility Provider and to replenish each Debt Service Reserve Fund, if any, to its respective Debt Service Reserve Fund Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Facility Provider and

the amount of the deficiency in each Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the respective Debt Service Reserve Funds;

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

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee, 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 Loan Agreements 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 this paragraph Fourth.

The Trustee shall, promptly after making the above required payments, notify the Authority and the University of any balance of Revenues remaining on the first day of the next succeeding Bond Year. 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 University, in the respective amounts set forth in such direction. Any amounts paid to the University shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Series Resolution or the applicable Loan Agreement.

(Section 5.05)

Debt Service Fund

(a) The Trustee shall pay out of the Debt Service Fund established in connection with Bonds of a Series other than Letter of Credit Secured Bonds, when due:

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

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

(b) Notwithstanding the provisions of this paragraph (a), 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 is scheduled to be due, direct the Trustee to purchase, with money on deposit in the Debt Service Fund established in connection with the Bonds of a Series, other than Letter of Credit Secured Bonds, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of such Series to be redeemed from such Sinking Fund Installment. In addition, the University pursuant to a Loan Agreement may deliver, at any time subsequent to July 1 (or such other date as provided in a Series Resolution or a Bond Series Certificate with respect to a Series of Bonds) 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 such Series 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.

(Section 5.06)

Debt Service Reserve Fund

The Trustee shall deposit to the credit of the appropriate account in the Debt Service Reserve Fund such proceeds of the sale of a Series of Bonds, if any, as shall be prescribed in the Series Resolution or the Bond Series Certificate, and any moneys, Government Obligations and Exempt Obligations as are delivered to the Trustee by the University for the purposes of the Debt Service Reserve Fund with respect to such Series.

In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations otherwise required to be deposited in the Debt Service Reserve Fund established for a Series of Bonds, 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 such Series for all or any part of the Debt Service Reserve Fund Requirement; provided that any such Reserve Fund Facility in the form of a surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of the insurance company or association is rated in the highest rating level accorded by a nationally recognized insurance rating agency or (B) the obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical

notation, in the highest rating category by Moody's and S&P, or, if Outstanding Bonds of such Series are not rated by Moody's and S&P by whichever of said rating services then rates Outstanding Bonds of such Series; provided, further, that any such Reserve Fund Facility in the form of a letter of credit shall be issued by 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 provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision 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 savings and loan association, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P, or, if Outstanding Bonds of such Series are not rated by Moody's and S&P by whichever of said rating services then rates Outstanding Bonds of such Series; and provided further that the written consent from any Applicable Credit Facility Provider to the delivery of such Reserve Fund Facility shall have been obtained.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Applicable Debt Service Revenue Fund Requirement with respect to a Series of Bonds unless the Trustee shall have received prior to such deposit (1) an opinion of counsel acceptable to the Applicable Reserve Fund Facility Provider to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Provider thereof and is valid, binding and enforceable in accordance with its terms and (2) in the event such Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Credit Facility Provider, if any.

Each Reserve Fund Facility shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without drawing upon such letter of credit or obtaining payment under such surety bond or insurance policy.

In computing the amount on deposit in the Debt Service Reserve Fund with respect to any Series of Bonds, the Reserve Fund Facility shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and applied to the payment of interest, principal and Sinking Fund Installments on the Series of Bonds secured thereby at the times and in the amounts required to comply with the provisions of Section 5.06(a) of the Resolution; provided, that no payment under a Reserve Fund Facility for such Series of Bonds shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund pursuant to this subdivision 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 for a Series of Bonds 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 thereunder.

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 therein to assure the availability of moneys on the interest payment date for which such moneys are required.

Moneys and investments held for the credit of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement for a Series of Bonds shall be withdrawn by the Trustee and deposited, upon direction of the Authority, in the Arbitrage Rebate Fund, the Debt Service Fund and the Construction Fund for that Series of Bonds or applied to the redemption of Bonds of that Series in accordance with such direction.

If, upon a valuation, the value of all moneys, Government Obligations, Exempt Obligations and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund with respect to a Series of Bonds is less than the Debt Service Reserve Fund Requirement for such Series of Bonds, the Trustee shall immediately notify the Authority, each Applicable Credit Facility Provider and Liquidity Facility Provider and the Institution of such deficiency. The Institution shall, as soon as practicable, but in no event later than 5 days after receipt of such notice, deliver to the Trustee moneys, Government Obligations or Exempt Obligations the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to such Debt Service Reserve Fund Requirement for that Series of Bonds.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any money delivered to it by the University for deposit therein and, notwithstanding any other provisions of this Article V, 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 such times and in such amounts as shall be set forth in such directions.

Money on deposit on 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 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 each 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 applicable 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 each Series of Bonds and (ii) if and to the extent required by the Code, pay out of such 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 Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the Available Money held in the Debt Service Fund established in connection with a Series of Bonds for the payment of the principal and Sinking Fund Installments of the Bonds of such Series, together with the Available Money held in the Debt Service Reserve Fund established for such Bonds, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of such 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 such Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the University. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the Resolution and make provision for the payment of such 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 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

All money held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the 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 to give security for the deposit of any money with them pursuant to the provisions of the Resolution summarized herein under the headings "Debt Service Fund" and "Defeasance" and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any 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

(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 this Section, 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 a 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 this Section. 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 University 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. 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 any 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 to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

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 the Bonds according to the true intent and meaning thereof.

(Section 7.01)

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 each Series of Bonds, including but not limited to the objects and purposes for which proceeds of the 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 University, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, each Liquidity Facility Provider and the University. 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 of each Series Resolution; a statement of the Revenues collected in connection with the Resolution 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 or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

Except as permitted by the Resolution with respect to the Shared Collateral or the Revenues, 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 on the proceeds from the sale of the Bonds, the Revenues, the Collateral Security and the funds and accounts established by the Resolution or pursuant to any Series Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing bonds, notes

or other obligations or otherwise incurring indebtedness under another and separate resolution or otherwise so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created pursuant to the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the University

The Authority shall take all legally available action to cause the University to perform fully all duties and acts and comply fully with the covenants of the University 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 or defer enforcement of one or more provisions of the 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 or deferment will not materially adversely affect the interests of the Holders of the Bonds and (ii) at any time prior to the occurrence of an event of default under the Resolution, annul any declaration that the indebtedness under the 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 the Loan Agreement, discontinue such action or proceeding if the University shall have cured each event of default under the Loan Agreement.

(Section 7.07)

Deposit of Certain Money in the Construction Fund

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any money paid to the Authority for the acquisition, construction, reconstruction, renovation or equipment of any Project, including the proceeds of any insurance of condemnation award to be 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 may be presented for payment, registration, transfer or exchange and the Trustee is by the Resolution appointed the Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this Section shall be subject to the provisions of the Resolution.

(Section 7.09)

Amendment of Loan Agreement

Each Loan Agreement may, without the consent of the Holders of Bonds, be amended, changed, modified, altered or supplemented for any one or more purposes: (i) to add an additional covenant or agreement for the purpose of further securing the payment of the University's obligations under the Loan Agreement that is not contrary to or inconsistent with the covenants and agreements of the University contained in the Loan Agreement; (ii) to prescribe further limitations and restrictions upon the University's right to incur, issue, assume or guaranty indebtedness that are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (iii) to surrender any right, power or privilege reserved to or conferred upon the University, if surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the University contained in the Loan Agreement; (iv) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any Project, to amend the description of any Project or to add an additional Project; (v) to establish, amend or modify the Authority Fee or the Annual Administrative Fee payable by the University in connection with the Bonds of a Series; or (vi) with the prior written consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in the Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement or to amend, modify or waive any other provision of the Loan Agreement, provided that the same does not adversely affect the interests of the Bondholders in any material respect.

Notwithstanding the provisions of paragraph (a) of this Section, the Loan Agreement relating to a Series of Bonds may not be amended, changed, modified, altered or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds of such Series as hereinafter provided if such amendment, change, modification, alteration, termination or waiver (i) reduces the amount of Revenues payable by the University under the Loan Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute Events of Default under the Loan Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority under the Loan Agreement upon the occurrence of an Event of Default thereunder, or (iv) adversely affects the rights of the Bondholders in any material respect.

No such amendment, change, modification, alteration, termination or waiver shall take effect unless the prior written consent of the Holders of at least a majority in principal amount of the Bonds then Outstanding of the affected Series; provided, however, that if such amendment, change, modification, alteration, termination or waiver will, by its terms, not take effect so long as any Bonds of

any specified maturity of such Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section.

No amendment, change, modification or termination of a Loan Agreement, or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the parties thereto. No such amendment, change, modification, alteration or waiver shall become effective unless there has been delivered to the Trustee an opinion of Bond Counsel. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee and a copy thereof shall be sent to the affected Bank.

Bonds owned or held by or for the account of the Authority or the University shall not be deemed Outstanding for the purpose of consent provided for in this Section, and neither the Authority nor the University shall be entitled with respect to such Bonds to give any such consent. At the time of any consent, the Authority shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

For the purposes of this Section, the purchasers of Bonds, 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 Section 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, Remarketing Agent or otherwise 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. In addition, the Holder of an Outstanding Auction Rate Bond shall be deemed to have consented to an amendment, change, modification, alteration or termination permitted by this Section if (i) the Trustee has mailed notice of such proposed amendment to the Holder of such Bonds in the same manner required by the Resolution for an amendment to the Resolution, (ii) on the first Auction Date for such Bond occurring at least twenty (20) days after the date on which the aforementioned notice is given by the Trustee the interest rate determined on such date is the Winning Bid Rate and (iii) there is delivered to the Authority and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of such Auction Rate Bond or any exemption from federal income tax to which the interest on such Auction Rate Bond would otherwise be entitled. As used in this paragraph the following terms shall have the respective meanings: "Auction Rate Bond" means a Variable Interest Rate Bond that is not an Option Bond, and that bears interest at rates determined by periodic auctions in accordance with procedures therefore established by the Series Resolution authorizing such Bond or the Bond Series Certificate related thereto; "Auction Date" means, with respect to any particular Auction Rate Bond, the date on which an auction is held or required to be held for such Bond in accordance with the procedures established therefore; and "Winning Bid Rate" when used with respect to an auction held for any particular Auction Rate Bond, shall have the meaning given to such term in the Series Resolution authorizing such Auction Rate Bond or the Bond Series Certificate related thereto, or, if not otherwise defined, means the lowest rate specified in any purchase bid submitted in such auction, which, if selected, would cause the aggregate principal amount of Auction Bonds offered to be sold in such auction to be subject to purchase bids at rates no greater than the rate specified in such purchase bid.

For the purposes of this Section, 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, which determination shall be made without regard to the existence of any financial guaranty insurance policy issued in connection with such Bonds or a Letter of Credit for such Bonds. 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 University, the Authority and all Holders of Bonds.

For all purposes of this Section, 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 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 of any "Event of Default" under a Loan Agreement, as such term is defined in such Loan Agreement, that 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)

Modification and Amendment Without Consent

The Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions: (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, 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 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 the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues or any pledge of any other moneys, Securities or funds; (f) to modify any of the provisions of the Resolution or 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 in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the 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 Insurers and the Bondholders 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 University and the Rating Service upon its becoming effective.

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolutions shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution. Nothing contained in 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 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.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, must 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 University and to each Liquidity Facility 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 therein, and, in taking such action, the Trustee will 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 shall become effective without the written consent of the Trustee.

(Section 9.03)

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, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in the provisions of the Resolution summarized herein under the heading "Consent of Bondholders", (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) 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; provided, however, that if such modification or amendment will, by its terms, not take

effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond 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 this Section, 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.

(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 herein under the heading “Powers of Amendment” to take effect when and as provided in this paragraph. 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 for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the 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 specified in the provisions of the Resolution summarized herein under the heading “Powers of Amendment” 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 hereinafter in this Section provided. 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 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 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 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 hereinafter in this Section provided for 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 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. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof.

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 therein, 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 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 then

Outstanding, such consent to be given as provided in the provisions of the Resolution summarized herein under the heading “Consent of Bondholders”, except that no notice to the Bondholders either by mailing or publication shall be required.

(Section 10.03)

Events of Default

Events of default under the Resolution and each Series Resolution include: failure to pay the principal, Sinking Fund Installments or Redemption Price of, or an installment of interest on, any Bond when the same shall become due and payable; default in the due and punctual performance of the covenants, conditions, agreements and provisions contained in the Bonds or in the Resolutions or any Series Resolution on the part of the Authority to be performed and such default continues for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied has been given to the Authority by the Trustee, which may give such notice in its discretion and must give such notice upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds 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; the Authority defaults in the due and punctual performance of any covenants contained in the Series Resolution and, as a result thereof, the interest on the Bonds for a Series is no longer excludable from gross income under Section 103 of the Code (a “Taxability Default”); or an “Event of Default” as defined in a Loan Agreement shall have occurred and be continuing and all sums payable by the University 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 provisions of the Resolution summarized herein under the heading “Events of Default”, other than a Taxability Default, then and in every such case the Trustee, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of each Series, shall, by a notice in writing to the Authority and each Rating Service, declare the principal of and interest on all of the Outstanding Bonds 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. If all defaults have been remedied to the satisfaction of the Trustee, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and Outstanding, by written notice to the Authority the Trustee may, provided certain conditions are satisfied, annul such declaration and its consequences.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the provisions of the Resolution summarized herein under the heading “Events of Default”, 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 each Series or, in the case of a happening and continuance of an Taxability Default, of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or under any 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 therein 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.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds 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 each Series or, in the case of a Taxability Default, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the 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.

(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 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 therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to a Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the University. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by any Series Resolution or Loan Agreement.

(b) Bonds for the payment or redemption of which Available Money shall have been set aside and shall be held in trust by the Trustee (through deposit of Available 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 subdivision 1 of this Section. All Outstanding Bonds of any Series or any maturity within a 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 paragraph (a) of this Section 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 Available Money in an amount which shall be sufficient, or Defeasance Securities purchased with Available Money the principal of and interest on which when due will provide money which, together with the Available 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) 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 this Section 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, (iv) the Trustee shall have received an opinion of Bond Counsel to the effect that making provision pursuant to paragraph (b) of this Section for payment of any Bond that is a Tax Exempt Bond will not cause said Bond to be considered to have been "reissued" for purposes of Section 1001 of the Code; and (v) the Trustee shall have received a Verification Report. The Authority shall give written notice to the Trustee and each Rating Service of its selection of the Series and maturity the payment of which is to be made in accordance with this Section. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with this Section in the manner provided in the Resolution. Neither Defeasance Securities nor money deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any money received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; provided, further, that money and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of 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 without regard to reinvestment, together with the money, if any, held by or 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 such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such money so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to a Loan Agreement for fees and expenses of the Authority or pursuant to any

indemnity; and, then, the balance thereof to the University. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by any Series Resolution or Loan Agreement.

(c) For the purpose of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, in accordance with paragraph (b) of this Section, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of money and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (ii) of the second sentence of paragraph (b) of this Section, the Trustee shall pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to a Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the University. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by any Series Resolution or Loan Agreement.

(d) Option Bonds will be deemed to have been paid in accordance with clause (ii) of the second sentence of paragraph (b) above only if there shall be deposited with the Trustee Available Money in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to paragraph (b) of this Section, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph (d). If any portion of the money deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to a Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the University. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by any Series Resolution or Loan Agreement.

(e) Anything in the Resolution to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such money were held by the Trustee at such date, or for one (1) year after the date of deposit of such money if deposited with the Trustee after said date when all of the Bonds of such Series become due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the Authority as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such money remains unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such money then unclaimed shall be returned to the Authority.

(Section 12.01)

Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an "event of default", as provided in the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Authority, the University or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the then current Accreted Value of such Bond shall be deemed to be its principal amount. Notwithstanding any other provision of the Resolution, the amount payable at any time with respect to the principal of and interest on any Capital Appreciation Bond shall not exceed the Accreted Value thereof at such time. For purposes of receiving payment of the Redemption Price or principal of a Capital Appreciation Bond called for redemption prior to maturity or the principal of which has been declared to be immediately due and payable pursuant to the Resolution, the difference between the Accreted Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds of the Series of which it is a part were first issued shall be deemed not to be accrued and unpaid interest thereon.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Deferred

Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the then current Appreciated Value of such Bond shall be deemed to be its principal amount. Notwithstanding any other provision of the Resolution, the amount payable at any time prior to the Interest Commencement Date with respect to the principal of and interest on any Deferred Income Bond shall not exceed the Appreciated Value thereof at such time. For purposes of receiving payment prior to the Interest Commencement Date of the Redemption Price or principal of a Deferred Income Bond called for redemption prior to maturity or the principal of which has been declared to be immediately due and payable pursuant to the provisions of the Resolution summarized herein under the heading "Acceleration of Maturity", the difference between the Appreciated Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds were first issued shall be deemed not to be accrued and unpaid interest thereon.

(Section 14.07)

**APPENDIX E - FORM OF APPROVING OPINION
OF BOND COUNSEL**

_____, 2012

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

Re: Dormitory Authority of the State of New York Long Island University
Revenue Bonds, Series 2012

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance of \$60,765,000 aggregate principal amount of Long Island University Revenue Bonds, Series 2012 (the "Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), and the Authority's Long Island University Revenue Bond Resolution, adopted on July 25, 2012 (the "Resolution"), as amended and supplemented by the Series 2012 Resolution Authorizing up to \$66,000,000 Long Island University Revenue Bonds, Series 2012 (the "Series 2012 Resolution") adopted on July 25, 2012. The Resolution, together with the Series 2012 Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into a Loan Agreement with Long Island University (the "University"), dated as of July 25, 2012 (the "Loan Agreement"), providing, among other things, for a loan to the University for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the University is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of the Bonds.

In such connection, we have reviewed the Resolutions, the Loan Agreement, the Tax Certificate and Agreement dated as of the date hereof (the "Tax Certificate and Agreement") between the Authority and the University, opinions of counsel to the Authority, the Trustee and the University, certificates of the Authority, the Trustee, the University and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Moritt Hock & Hamroff LLP, counsel to the University, regarding, among other matters, the current qualification of the University as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and the use of the facilities refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the University within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications and limitations. Failure of the University to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the University within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or

omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Certificate and Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we have assumed that actions of the University and other persons will not cause any of the Bonds to exceed the \$150 million limitation on qualified 501(c)(3) bonds that do not finance hospital facilities set forth in Section 145(b) of the Code. We call attention to the fact that the rights and obligations under the Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolutions or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.
2. The Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.
3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.
4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the University, constitutes a valid and binding agreement of the Authority in accordance with its terms.
5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP

