



\$46,575,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
BROOKLYN LAW SCHOOL
REVENUE BONDS, SERIES 2012A

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

Payment and Security: The Brooklyn Law School Revenue Bonds, Series 2012A (the "Series 2012A 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, dated as of June 20, 2012 (the "Loan Agreement"), by and between the Authority and Brooklyn Law School (the "Law School"), and (ii) all funds and accounts (except the Arbitrage Rebate Fund) established under the Authority's Brooklyn Law School Revenue Bond Resolution, adopted October 29, 2008, as amended and supplemented (the "Resolution"), and the Series 2012A Resolution Authorizing Up To \$60,000,000 Brooklyn Law School Revenue Bonds, Series 2012A, adopted June 20, 2012 (the "Series 2012A Resolution" and, together with the Resolution, the "Resolutions").

The Loan Agreement is a general obligation of the Law School and requires the Law School to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2012A Bonds, as such payments become due. The obligations of the Law School under the Loan Agreement to make such payments are secured by a pledge of tuition and fees of the Law School in an amount equal to the maximum annual debt service on the Outstanding Series 2012A Bonds. The lien of such pledge is of equal priority with the pledge of Pledged Revenues made in connection with the Authority's Brooklyn Law School Revenue Bonds, Series 2009 (the "Series 2009 Bonds").

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

Description: The Series 2012A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due January 1, 2013 and each July 1 and January 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2012A 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 2012A Bonds, by wire transfer to the holder of such Series 2012A 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 2012A Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2012A Bonds, by wire transfer to the holder of such Series 2012A Bonds as more fully described herein.

The Series 2012A 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 2012A Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2012A Bonds, payments of the principal, Redemption Price and Purchase Price of and interest on such Series 2012A 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 2012A BONDS - Book-Entry Only System" herein.

Redemption or Purchase: *The Series 2012A 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 each of Squire Sanders (US) LLP and D. Seaton and Associates, Co-Bond Counsel, under existing law, (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Series 2012A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Interest on the Series 2012A Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "PART 10 - TAX MATTERS" herein.

The Series 2012A Bonds are offered when, as, and if issued and received by the Underwriter. The offer of the Series 2012A 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 Squire Sanders (US) LLP, New York, New York, and D. Seaton and Associates, New York, New York, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Law School by its special financing counsel, Nixon Peabody LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Winston Strawn LLP, New York, New York. The Authority expects to deliver the Series 2012A Bonds in definitive form in New York, New York, on or about July 25, 2012.

J.P. Morgan

\$46,575,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
BROOKLYN LAW SCHOOL
REVENUE BONDS, SERIES 2012A

Interest Payment Date: Each January 1 and July 1 (commencing January 1, 2013)

<u>Due</u> <u>July 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number¹</u>	<u>Due</u> <u>July 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number¹</u>
2015	\$2,160,000	4.000%	1.110%	649906P73	2023	\$3,130,000	5.000%	2.950% ²	649906Q72
2016	2,250,000	5.000	1.310	649906P81	2024	3,290,000	5.000	3.030 ²	649906Q80
2017	2,360,000	4.000	1.600	649906P99	2025	3,455,000	5.000	3.110 ²	649906Q98
2018	2,455,000	5.000	1.920	649906Q23	2026	3,630,000	5.000	3.180 ²	649906R22
2019	2,580,000	5.000	2.190	649906Q31	2027	3,810,000	5.000	3.250 ²	649906R30
2020	2,710,000	5.000	2.400	649906Q49	2028	4,000,000	5.000	3.320 ²	649906R48
2021	2,845,000	5.000	2.640	649906Q56	2029	4,200,000	5.000	3.390 ²	649906R55
2022	2,985,000	5.000	2.780	649906Q64	2030	715,000	5.000	3.460 ²	649906R63

¹ CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2012A Bonds. Neither the Authority nor the Underwriter is responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2012A Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2012A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2012A Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2012A Bonds.

² Priced at the stated yield to the July 1, 2022 optional redemption date at a Redemption Price equal to 100%.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Law School or the Underwriter to give any information or to make any representations with respect to the Series 2012A 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 Law School 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 2012A 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 Law School and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriter guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Law School has reviewed the parts of this Official Statement describing the Law School, the Mortgage, 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 2012A Bonds, the Law School will certify that as of the date of this Official Statement and of delivery of the Series 2012A 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 Law School makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolution, the Series 2012A Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2012A Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2012A Resolution and the Loan Agreement are on file with the Authority and the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

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

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

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

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

OFFICIAL STATEMENT RELATING TO

\$46,575,000 DORMITORY AUTHORITY OF THE STATE OF NEW YORK BROOKLYN LAW SCHOOL REVENUE BONDS, SERIES 2012A

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 Law School, in connection with the offering by the Authority of \$46,575,000 aggregate principal amount of its Brooklyn Law School Revenue Bonds, Series 2012A (the “Series 2012A Bonds”).

The following is a brief description of certain information concerning the Series 2012A Bonds, the Authority and the Law School. A more complete description of such information and additional information that may affect decisions to invest in the Series 2012A 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 2012A Bonds are being issued for the purpose of providing funds which, together with other available moneys, will be used to (i) advance refund the Authority’s outstanding Brooklyn Law School Insured Revenue Bonds, Series 2003A (the “Series 2003A Bonds”) and Brooklyn Law School Insured Revenue Bonds, Series 2003B (the “Series 2003B Bonds” and, together with the Series 2003A Bonds, the “Refunded Bonds”), and (ii) pay the Costs of Issuance of the Series 2012A Bonds. See “PART 4 – THE REFUNDING PLAN” and “PART 5 – ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Resolution authorizes the issuance of Bonds pursuant to separate Series Resolutions for the benefit of the Law School. The Series 2012A Bonds will be issued pursuant to the Act, the Resolution and the Series 2012A Resolution. In addition to the Series 2012A Bonds, the Resolution authorizes the issuance of other Series of Bonds (collectively, the “Bonds”) to pay other Costs of one or more Projects, to pay the Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes or bonds of the Authority or other issuers that were issued on behalf of the Law School. Each Series of Bonds will be separately secured from each other Series of Bonds under the Resolution. The Series 2012A Bonds will be the second Series of Bonds to be issued under the Resolution. There is no limit on the amount of additional Bonds that may be issued under the Resolution, which Bonds may be issued at any time after the scheduled delivery date of the Series 2012A Bonds. See “PART 3 – THE SERIES 2012A BONDS.” The Law School currently has no intention to request the Authority to issue additional Bonds. See “PART 6 – THE LAW SCHOOL – Outstanding Indebtedness.”

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 7 – THE AUTHORITY.”

The Law School

The Law School is an independent, coeducational, nonsectarian, not-for-profit institution of higher education chartered by the Board of Regents of the State. The Law School is located in Brooklyn, New York. See “PART 6 – THE LAW SCHOOL” and “Appendix B – Financial Statements of Brooklyn Law School and Independent Auditor’s Report.”

The Series 2012A Bonds

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

Payment of the Series 2012A Bonds

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

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

Security for the Series 2012A Bonds

The Series 2012A Bonds will be secured by the pledge and assignment to the Trustee of the Revenues and the security interest in the Pledged Revenues granted by the Law School to the Authority under the Loan Agreement.

The Law School’s obligations to the Authority under the Loan Agreement will be additionally secured by a mortgage on 250 Joralemon Street (the main academic building) and 205 State Street (Feil Hall), Brooklyn, New York (the “Mortgaged Property”) and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. The Mortgage will be assigned to the Trustee for the benefit of the Bondholders of the Series 2012A Bonds. Pursuant to an earlier mortgage, the Mortgaged Property also secures the Law School’s obligations to the Authority under a loan agreement (the “2009 Loan Agreement”) executed in connection with the issuance of the Authority’s Brooklyn Law School Revenue Bonds, Series 2009 (the “Series 2009 Bonds”). See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012A BONDS – Security for the Series 2012A Bonds.”

The Series 2012A Bonds will also be secured by all funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund). Although the Resolution provides for the establishment of a Debt Service Reserve Fund, no Debt Service Reserve Fund will be funded in connection with the issuance of the Series 2012A Bonds. Each Series of Bonds will be separately secured from each other Series of Bonds under the Resolution. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012A BONDS – Security for the Series 2012A Bonds.”

Financial Covenants

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

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

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

Payment of the Series 2012A Bonds

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

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

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

Security for the Series 2012A Bonds

The Series 2012A Bonds will be secured by the payments described above to be made under the Loan Agreement, all funds and accounts established under the Resolution in connection with the Series 2012A Bonds (with the exception of the Arbitrage Rebate Fund), the security interest in the Pledged Revenues and the Mortgage on the Mortgaged Property. Each Series of Bonds will be separately secured from each other Series of Bonds under the Resolution. See “Appendix D – Summary of Certain Provisions of the Resolution.”

Pledged Revenues

As security for its obligations under the Loan Agreement, the Law School has granted to the Authority a security interest in the Pledged Revenues consisting of an aggregate amount of tuition and fees charged to students and received or receivable by the Law School equal to the maximum annual debt service in the current or any future calendar year on the then Outstanding Series 2012A Bonds. Pursuant to the Intercreditor Agreement, the security interest in the Pledged Revenues is on a parity with the pledge of Pledged Revenues made in the 2009 Loan Agreement in connection with the issuance of the Series 2009 Bonds. See “PART 6 – THE LAW SCHOOL – Outstanding Indebtedness.” The Authority has pledged and assigned to the Trustee for the benefit of the Holders of Series 2012A Bonds its security interest in the Pledged Revenues. Pursuant to the Loan Agreement, the Law School has covenanted not to incur additional debt if the lien securing such debt would constitute a prior pledge relative to the security interest in the Pledged Revenues. However, the Loan Agreement permits the Law School under certain conditions to incur additional indebtedness secured by the Pledged Revenues on a parity basis with the pledge securing the Series 2012A Bonds.

The Mortgage

In connection with the delivery of the Series 2012A Bonds, the Law School will execute and deliver a Mortgage to the Authority and grant the Authority a security interest in certain fixtures, furnishings and equipment to secure the payments relating to the Series 2012A Bonds required to be made by the Law School pursuant to the Loan Agreement. The Mortgage encumbers the Mortgaged Property that, pursuant to the terms of an earlier mortgage,

also secures the Law School's obligations to the Authority under the 2009 Loan Agreement. The Mortgage will be assigned to the Trustee for the benefit of the Bondholders of the Series 2012A Bonds. Pursuant to the Intercreditor Agreement, the Mortgaged Property will secure the Institution's obligations to the Authority under the 2009 Loan Agreement and the Loan Agreement on a parity basis. In addition, the terms of the Intercreditor Agreement impact the ability of the Authority or the Trustee to execute upon the Mortgage (including by foreclosure).

No Debt Service Reserve Fund

Although the Resolution provides for the establishment of a Debt Service Reserve Fund, no Debt Service Reserve Fund will be funded in connection with the issuance of the Series 2012A Bonds. See "Appendix D – Summary of Certain Provisions of the Resolution."

Financial Covenants

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

Maintenance Covenants

The Law School covenants to charge and maintain student tuition, fees and other charges sufficient to provide a Debt Service Coverage Ratio of 1.25:1.00 for each Law School Fiscal Year. On or prior to each Reporting Date, the Law School shall file with the Authority a certificate of an Authorized Officer of the Law School 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. If on two consecutive Testing Dates the Law School does not satisfy the Debt Service Coverage Ratio requirement, or in the event the Debt Service Coverage Ratio falls below 1.00:1.00 on any Testing Date, the Authority may require the Law School to retain a Management Consultant. As of June 30, 2011, the Law School's Debt Service Coverage Ratio was reported at 1.64:1.00.

The Law School also covenants to maintain an Available Assets to Debt Ratio of at least 0.60:1.00 for the Law School's Fiscal Years ending in 2012 and 2013. This requirement increases to 0.75:1.00 for all subsequent Fiscal Years. On or prior to each Reporting Date, the Law School is required to file with the Authority a certificate of an Authorized Officer of the Law School 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. If on any Testing Date the Law School does not satisfy the Available Assets to Debt Ratio requirement, the Authority may require the Law School to retain a Management Consultant. As of June 30, 2011, the Law School's Available Assets to Debt Ratio was reported at 1.23:1.00.

The Law School covenants that it will at all times maintain in its accounts a balance of unrestricted cash, cash equivalents and marketable securities which can be liquidated in 30 days or less with a market value at least equal to the interest payable on the Series 2012A Bonds on the next succeeding interest payment date and one-half of the principal and sinking fund installments due on the next succeeding July 1st (the "Liquid Balances Requirement"). The Law School is required to file semi-annually with the Authority a certificate of an Authorized Officer of the Law School stating whether it is in compliance with the Liquid Balances Requirements and provide the market value of unrestricted cash, cash equivalents and (if necessary to demonstrate that the requirement has been met) marketable securities which can be liquidated in 30 days or less, as follows: for the testing date that occurs on the last day of the second quarter of the Fiscal Year, within 30 days after such testing date; and for the testing date that occurs on the last day of the Fiscal year, within 120 days after such testing date. If on any testing date the Institution does not satisfy the Liquid Balances Requirement, the Authority may require the Institution to retain a Management Consultant.

Additional Indebtedness

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

The Law School may issue, incur, assume or guarantee Long-Term Indebtedness without the consent of the Authority provided that (i) it maintains a debt rating in the "Baa/BBB" category without regard for "+" or "-" or numerical notation from at least one Rating Service and (ii) (a) such Long-Term Indebtedness issued in any Fiscal Year is in an amount less than or equal to 10% of the amount of its unrestricted net assets as reported for the most recently concluded Fiscal Year for which audited financial statements are available or (b) the Law School provides to the Authority a certificate of an Authorized Officer of the Law School containing pro forma calculations demonstrating that the maintenance covenants described above would be met for the most recently concluded Fiscal

Year for which audited financial statements are available taking into account the additional Long-Term Indebtedness proposed to be issued (provided that, for purposes of calculating the Debt Service Coverage Ratio for such pro forma calculations, Annual Debt Service shall be equal to projected Maximum Annual Debt Service).

Notwithstanding the foregoing, the Law School may issue Non-Recourse Indebtedness without limitation provided that the property securing such Non-Recourse Indebtedness must have been acquired by the Law School after the issuance of the Series 2012A Bonds.

The Law School may also issue Refunding Debt without limitation provided that, after giving effect to such Refunding Debt, the Annual Debt Service on the Law School's Long-Term Indebtedness will not be greater in any Fiscal Year subsequent to the date such Refunding Debt is issued.

The Law School may incur Short-Term Indebtedness without limitation if, with respect to such indebtedness, during any 12-month period, there will be no outstanding balance for a period of not less than 30 days or such shorter period consented to by the Authority.

For a more complete description of the financial covenants of the Law School 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 2012A Bonds: (i) a default by the Authority in the payment of the principal, Sinking Fund Installment or Redemption Price of any Bond; (ii) a default by the Authority in the payment of interest on any Bond; (iii) a default by the Authority in the due and punctual performance of any covenant or agreement contained in the Series 2012A Resolution to comply with the provisions of the Code necessary to maintain the exclusion of interest on such Bonds from gross income for purposes of federal income taxation; (iv) a default by the Authority in the due and punctual performance of any other covenants, conditions, agreements or provisions contained in the Series 2012A Bonds or in the Resolutions which continues for 30 days after written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee's discretion or at the written request of the Holders of not less than 25% in principal amount of Outstanding Bonds) or if such default is not capable of being cured within 30 days, if the Authority fails to commence within 30 days and diligently prosecute the cure thereof; or (v) the Authority shall have notified the Trustee that an "Event of Default," as defined in the Loan Agreement, has occurred and is continuing and all sums payable by the Law School under the Loan Agreement have been declared immediately due and payable (unless such declaration shall have been annulled). Unless all sums payable by the Law School 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 2012A Bonds shall, declare the principal of and interest on all the Outstanding Series 2012A Bonds to be due and payable. At any time after the principal of the Series 2012A Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than 25% in principal amount of Series 2012A Bonds not yet due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee is to give notice in accordance with the Resolution of each event of default known to the Trustee to the Law School within five days, and to the Holders within 30 days, in each case after obtaining knowledge of the occurrence thereof, unless such default has been remedied or cured before the giving of such notice. 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 2012A 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 2012A Bonds.

Issuance of Additional Indebtedness

In addition to the Series 2012A 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 issuers that were issued on behalf of the Law School. Each Series of Bonds will be separately secured from each other Series of Bonds under the Resolution. There is no limit on the amount of

additional Bonds that may be issued under the Resolution, which Bonds may be issued at any time after the scheduled delivery date of the Series 2012A Bonds. The Series 2012A Bonds will be the second Series of Bonds issued under the Resolution.

The Loan Agreement also permits the Law School, under certain conditions, to incur additional long-term indebtedness secured by the Pledged Revenues which may be on a parity with the pledge securing the Series 2012A Bonds.

General

The Series 2012A Bonds will not be a debt of the State and the State will not be liable on the Series 2012A 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 7 – THE AUTHORITY.”

PART 3 – THE SERIES 2012A BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2012A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2012A Resolution 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 2012A Bonds.

Description of the Series 2012A Bonds

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

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

Interest on the Series 2012A 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 2012A 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 2012A Bonds are not registered in the name of DTC or its nominee, Cede & Co., the principal and Redemption Price of the Series 2012A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent.

The Series 2012A 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 2012A 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 2012A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2012A 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 2012A 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 2012A Bonds, the Series 2012A Bonds will be exchangeable for fully registered Series 2012A 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 2012A Bonds, see “Appendix D – Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Optional Redemption

The Series 2012A 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 2012A Bonds, see “Appendix D – Summary of Certain Provisions of the Resolution.”

Optional Redemption

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

Purchase in Lieu of Optional Redemption

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

Special Redemption

The Series 2012A 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 2012A 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 to which such Series 2012A Bonds being redeemed relates.

Selection of Bonds to be Redeemed

In the case of redemptions of Series 2012A Bonds, the Authority will select the Series 2012A Bonds to be redeemed. If less than all of the Series 2012A Bonds are to be redeemed, the Series 2012A Bonds to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

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

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

Notice of Purchase in Lieu of Optional Redemption and its Effect

Notice of purchase of the Series 2012A Bonds will be given in the name of the Law School to the registered owners of the Series 2012A 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 2012A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2012A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2012A 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 2012A Bonds. Such Series 2012A Bonds need not be cancelled, and will remain Outstanding under the Resolution and continue to bear interest.

The Law School's obligation to purchase a Series 2012A Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2012A 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 2012A Bonds to be purchased, the former registered owners of such Series 2012A Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2012A 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 2012A Bonds in accordance with their respective terms.

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

For a more complete description of the redemption and other provisions relating to the Series 2012A 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 2012A 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 2012A Bonds. The Series 2012A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012A Bond certificate will be issued for each maturity of the Series 2012A Bonds, totaling in the aggregate the principal amount of the Series 2012A Bonds, and will be deposited with DTC.

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

Purchases of Series 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2012A 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 2012A 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 2012A Bonds, except in the event that use of the book-entry system for such Series 2012A Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2012A Bonds may wish to ascertain that the nominee holding the Series 2012A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012A 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 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Series 2012A Bond tendered for purchase, through its Participant, to the Tender Agent and the Remarketing Agent, and shall effect delivery of such Series 2012A Bond by causing the Direct Participant to transfer the Participant's interest in the Series 2012A Bond, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2012A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2012A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2012A Bonds to the Tender Agent's DTC account.

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

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

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

Each person for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2012A Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, and may desire to make arrangements with such Direct Participant or Indirect Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Direct Participant or Indirect Participant and to have notification made of all interest payments. NONE OF THE AUTHORITY, THE LAW SCHOOL, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANT OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2012A BONDS.

So long as Cede & Co. is the registered owner of the Series 2012A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2012A Bonds (other than under “PART 10 – TAX MATTERS” herein) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2012A Bonds.

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

For every transfer and exchange of Series 2012A 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 2012A Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2012A Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Series 2012A Bond certificates will be delivered as described in the Resolution.

NONE OF THE AUTHORITY, THE LAW SCHOOL, THE TRUSTEE OR THE UNDERWRITER 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 2012A 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 2012A 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 2012A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2012A BONDS; OR (VI) ANY OTHER MATTER.

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Principal and Interest Requirements

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

<u>Series 2012A Bonds</u>					
<u>12 Month Period Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Debt Service on the Series 2012A Bonds</u>	<u>Debt Service on Other Indebtedness⁽¹⁾</u>	<u>Total Debt Service</u>
2013	\$ —	\$2,131,313	\$2,131,313	\$1,284,550	\$3,415,863
2014	—	2,283,550	2,283,550	1,284,550	3,568,100
2015	2,160,000	2,283,550	4,443,550	1,284,550	5,728,100
2016	2,250,000	2,197,150	4,447,150	1,284,550	5,731,700
2017	2,360,000	2,084,650	4,444,650	1,284,550	5,729,200
2018	2,455,000	1,990,250	4,445,250	1,284,550	5,729,800
2019	2,580,000	1,867,500	4,447,500	1,284,550	5,732,050
2020	2,710,000	1,738,500	4,448,500	1,284,550	5,733,050
2021	2,845,000	1,603,000	4,448,000	1,284,550	5,732,550
2022	2,985,000	1,460,750	4,445,750	1,284,550	5,730,300
2023	3,130,000	1,311,500	4,441,500	1,284,550	5,726,050
2024	3,290,000	1,155,000	4,445,000	1,284,550	5,729,550
2025	3,455,000	990,500	4,445,500	1,284,550	5,730,050
2026	3,630,000	817,750	4,447,750	1,284,550	5,732,300
2027	3,810,000	636,250	4,446,250	1,284,550	5,730,800
2028	4,000,000	445,750	4,445,750	1,284,550	5,730,300
2029	4,200,000	245,750	4,445,750	1,284,550	5,730,300
2030	715,000	35,750	750,750	5,489,550	6,240,300
2031	—	—	—	6,752,763	6,752,763
2032	—	—	—	6,754,438	6,754,438
2033	—	—	—	6,752,138	6,752,138

⁽¹⁾ Figures exclude debt service on the Refunded Bonds, which are expected to be refunded with the proceeds of the Series 2012A Bonds.

PART 4 – THE REFUNDING PLAN

A portion of the proceeds of the Series 2012A Bonds will be deposited, together with other available moneys, with the trustee for the Refunded Bonds upon the issuance and delivery of the Series 2012A Bonds, and will be held in trust solely for the payment of the maturing principal or redemption price of and interest on the Refunded Bonds. At the time of such deposit, the Authority will give such trustee irrevocable instructions to give notice of the refunding and redemption of the Refunded Bonds and to apply the proceeds on deposit to the payment of the maturing principal or redemption price of and interest on the Refunded Bonds on the respective maturity or redemption date. In the opinion of each of Co-Bond Counsel, upon making such deposits with such trustee and the issuance of certain irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the resolution under which they were issued, be deemed to have been paid and will no longer be outstanding and the pledge of the revenues or other moneys and securities pledged to the Refunded Bonds and all other rights granted by such resolution to the Refunded Bonds shall be discharged and satisfied. See “PART 16 – VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

PART 5 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2012A Bonds.....	\$ 46,575,000
Net Original Issue Premium.....	7,258,478
Other Available Funds	<u>5,394,370</u>
Total Sources	<u>\$ 59,227,848</u>

Uses of Funds

Deposit to the Refunding Escrow	\$ 58,367,143
Costs of Issuance	553,894
Underwriter’s Discount.....	<u>306,811</u>
Total Uses	<u>\$ 59,227,848</u>

PART 6 – THE LAW SCHOOL

GENERAL INFORMATION

Introduction

Founded in 1901, Brooklyn Law School is one of the largest and oldest independent law schools in the United States. The Law School operates under a charter granted by the Board of Regents of the State of New York, is accredited by the American Bar Association, and is a member of the Association of American Law Schools. The Law School offers both full-time (three-year) and part-time (four-year) programs of study leading to a Juris Doctor (J.D.) degree. It also offers an LL.M. degree. Students admitted to the Law School are required to hold a baccalaureate degree granted by an accredited college or university. The Law School curriculum combines traditional course offerings and teaching methodologies with innovative clinical and skills training and small group training techniques. The Law School’s Dennis J. Block Center for the Study of International Business Law sponsors a variety of programs for members of the legal community on legal and policy issues affecting international business. The Edward G. Sparer Public Interest Law Fellowship Program prepares students for public interest and public service careers, and provides summer stipends for students who work in public interest law offices during the summer. The Center for the Study of Law, Language and Cognition studies the role of linguistics and psychology in shaping law. The Barry L. Zaretsky Roundtable and Fellowship Program provides financial support for students

pursuing careers in commercial and insolvency law. It holds an annual program for academics, practitioners, and students. The Center for Health Law and Policy provides a forum for the interdisciplinary study of health care issues by legal and medical scholars, policy makers and practitioners. The Law School also offers several Joint Degree Programs in cooperation with Baruch College, Hunter College, Brooklyn College and Pratt Institute.

Governance

The Law School has a self-perpetuating Board of Trustees consisting of no fewer than 15 nor more than 25 members elected by the Board of Trustees for three-year terms. In addition, the Board of Trustees may, upon the recommendation of the Dean, elect two additional members who are recent Law School graduates to serve for two-year terms. All Trustees, other than the two additional Trustees who are recent Law School graduates, may be reelected. The President and Dean of the Law School serve as non-voting ex-officio members of the Board. Any Trustee who has served as such for at least twenty years is eligible for election as a non-voting Trustee Emeritus. The Board of Trustees is generally responsible for the direction of the financial and budgetary affairs of the Law School, while the Dean and Faculty are responsible for academic policies of the Law School. The Board of Trustees has three standing committees, the Executive Committee, the Finance Committee, and the Development Committee.

The current members and officers of the Board of Trustees and their principal professional affiliations are as follows:

Members of the Board

Stuart Subotnick, Esq.

Chairman of the Board
President & Chief Executive Officer
Metromedia Company

Hon. Edward R. Korman

Vice Chairman of the Board
Senior Judge
United States District Court
Eastern District of New York

Burnside E. Anderson, III, Esq.

Senior Corporate Counsel
Legal Division
Pfizer Inc. (Retired)

Francis J. Aquila, Esq.

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Hon. Herman Badillo

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& Flom LLP

Hon. Reena Raggi

Judge
United States Court of Appeals
for the Second Circuit

Florence Subin, Esq.

Subin Associates

Hon. Ralph K. Winter

Senior Judge
United States Court of Appeals
for the Second Circuit

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Frances M. Friedman, Esq.

Attorney

George G. Gallantz, Esq.

Proskauer Rose LLP (Retired)

Administration

Joan G. Wexler, President

Joan Wexler became President of Brooklyn Law School in July 2010. She joined the faculty in 1985, and served as Dean from July 1, 1994 to June 30, 2010. She has also taught at New York University School of Law, worked as an associate with the firm of Debevoise & Plimpton, and served as a law clerk to Judge Jack B. Weinstein of the Eastern District of New York. President Wexler is an elected member of the American Law Institute, is on the boards of the Practising Law Institute and the Downtown Brooklyn Partnership, and serves on the Executive Committee of the Federal Bar Council. She has held a number of leadership positions, including serving as President of the Federal Bar Council, Vice President of the New York City Bar Association, and twice as Vice President of the Women's Bar Association. She has played an important role in legal education serving on numerous committees, and is currently a member of the Questionnaire Subcommittee of the ABA Section on Legal Education and Admission to the Bar. Among her many honors and awards are an Honorary Doctor of Laws from St. Francis College, the President's Special Award and the Special Recognition Award from the New York Women's Bar Association, an Outstanding Women of the Bar Honoree from the New York County Lawyers' Association, a Special Award from the National Association of Women Judges, and the President's Award from the New York State Court Officers Association. President Wexler is a graduate of Cornell University, the Harvard Graduate School of Education, and Yale Law School.

Nicholas W. Allard, Joseph Crea Dean and Professor of Law

Nicholas Allard became the eighth Dean of Brooklyn Law School on July 1, 2012. He brings with him a depth of experience from the public and private sectors. Most recently, he served as chair of the Public Policy Department and co-chair of the Government Advocacy Practice Group at Patton Boggs in Washington, D.C., where his clients included domestic and international organizations that were startups, Fortune 500 companies, nonprofits, and public and private universities. He has served on numerous academic boards, taught at several law schools, and has published scholarly articles on a broad range of issues, including Internet law, new media, and privacy. Dean Allard began his career as a law clerk to then Chief U.S. District Judge Robert F. Peckham in San Francisco and to U.S. Circuit Judge Patricia M. Wald in Washington, D.C. He also worked on Capitol Hill for the late Senators Edward Kennedy and Daniel Patrick Moynihan. Before joining Patton Boggs, he was a partner at Latham & Watkins for over a decade, where he chaired the firm's Government Relations Group. He is a graduate of Princeton University, Oxford University (Rhodes Scholar), and Yale Law School.

Michael Cahill, Associate Dean for Academic Affairs and Professor of Law

Michael Cahill is the Associate Dean for Academic Affairs, a position he has held since 2010. He joined the faculty in 2003 and he teaches and writes in the areas of criminal law and health law. He has published numerous articles in top scholarly journals. His most recent book *Criminal Law*, co-authored with noted criminal law scholar Paul Robinson was published in 2012. His earlier book (also with Robinson), *Law Without Justice*, addresses the role of retribution in the criminal justice system. In the area of health law, Professor Cahill serves an important role in Brooklyn Law School's Center for Health, Science and Public Policy. Prior to joining the faculty, Professor Cahill taught at Chicago-Kent College of Law as a Visiting Assistant Professor of Law and was a Staff Director to the Illinois Criminal Code Rewrite & Reform Commission. He began his legal career as a law clerk to Judge James B. Loken of the U.S. Court of Appeals for the Eighth Circuit. Professor Cahill is a graduate of Yale College, the University of Michigan School of Public Policy, and the University of Michigan Law School.

Beryl Jones-Woodin, Robert B. Catell Associate Dean for Student Affairs and Professor of Law

Beryl Jones-Woodin serves as the Associate Dean for Student Affairs. She joined the faculty in 1984 after serving as an Assistant U.S. Attorney in the Civil Division of the Eastern District of New York, and as a law clerk to the late Judge A. Leon Higginbotham of the U.S. Court of Appeals for the Third Circuit. Professor Jones-Woodin specializes in copyright law, art law, and professional responsibility. She is a member of the board of directors of the Westchester Children's Museum, the editorial board of the *Journal of the Copyright Society*, and the American Law Institute. She has chaired the Association of American Law Schools' sections on Art Law and Intellectual Property. Professor Jones-Woodin is a graduate of Oberlin College and New York University School of Law.

Henry W. Haverstick III, Dean of Admissions and Financial Aid

Dean Haverstick joined Brooklyn Law School in 1973. He has served as the Dean of Admissions and Financial Aid since 1991. Prior to his 34 years of directing Brooklyn Law School's admissions program, Dean Haverstick

served many roles at the Law School, including Assistant Dean for Student Services, Assistant Dean for Placement and Student Services, and Director of Placement and Career Planning. In 2006, he was awarded Brooklyn Law School's Wilbur A. Levin Distinguished Service Medal. His previous experience includes work in New York University's Office of Career Counseling and Placement Services, serving as Assistant Director at both the Graduate School of Business Administration and Washington Square Campus offices. Dean Haverstick earned his B.A. from Rutgers University and his M.A. in Student Personnel Administration from New York University.

Laurie H. Newitz, Chief Financial Officer

Laurie Newitz has served as Brooklyn Law School's Chief Financial Officer since 2004. She manages all aspects of the Law School's finances. Ms. Newitz also serves as the Secretary of the Board of Trustees and Treasurer of Brooklyn Law School. She has over 25 years of experience working with non-profit and for-profit institutions building domestic and international financial organizations and directing financial and business planning. Ms. Newitz is a graduate of the Wharton School at the University of Pennsylvania and she received her M.B.A. from Columbia University Business School. She is a certified public accountant.

Facilities

Brooklyn Law School is headquartered in a 11-story building at 250 Joralemon Street, which is the intersection of Brooklyn Heights, the Brooklyn Civic Center, and Downtown Brooklyn. The main building, which opened in 1968, contains approximately 117,000 gross square feet and houses the law library, classrooms, faculty offices, and the Moot Court Room. In 1994, the Law School completed construction of an 11-story, 85,000 square foot addition to the main building. The costs of the new addition and of renovations of the existing building were financed through the Authority. The buildings function as an integrated unit, with state-of-the-art classrooms, faculty and deans' offices, the law library, a dining hall, a conference center, and a student lounge.

In 2005, the Law School completed construction of a 21-story, 290,000 square-foot residence hall (Feil Hall) designed to house approximately 350 students and 10 staff members in a mixture of studio, and one to four bedroom apartments. Feil Hall includes a conference center on the top floor and a student café on the ground floor. A public parking garage, which is privately operated, is located in the cellar and sub-cellar.

The main building, including the 1994 addition, and Feil Hall are subject to mortgages to secure loans to the Law School made by the Authority in 2003 and 2009 from the proceeds of bonds issued by the Authority. The proceeds of the Series 2012A Bonds will be applied to repay the outstanding principal amount of the loan made in 2003 and the lien of the mortgage securing that loan will be satisfied and discharged. However, the main building, the addition to it, and Feil Hall will remain subject to the mortgage securing the loan made by the Authority in 2009, of which \$22,340,000 remains outstanding. Additionally, the loan made from the proceeds of the Series 2012A Bonds will be secured by a mortgage on the main building, the addition to it, and Feil Hall on a parity basis with the 2009 mortgage. After issuance of the Series 2012A Bonds and the simultaneous repayment of the 2003 loan, the outstanding principal amount of the loans secured by mortgages on the Mortgaged Property will be approximately \$68.92 million.

The Law School also owns and occupies a building at One Boerum Place, directly across the street from the main building. This four-story building, which was acquired by the Law School in 1984, houses the Law School's legal clinics, various administrative offices, and student organization offices. A portion of the ground floor is currently leased to an unrelated entity.

The Law School has acquired a number of residential buildings to house students and faculty. As of July 2011, the appraised value of the residential buildings, excluding Feil Hall, was \$51.5 million. Feil Hall was appraised in April 2007 for a value of \$149.5 million. All of the buildings are located in the nearby Brooklyn Heights Historic District, a short walk from the Law School. The following is a list of the residential properties owned by the Law School:

Number of Units			
<u>Address</u>	<u>Year Acquired</u>	<u>Number of Units</u>	<u>Market Value*</u> <u>(\$000)</u>
2 Pierrepont Street	1985	39	\$ 21,850
100 Pierrepont Street	1986	10	3,750
18 Sidney Place	1991	19	4,400
27 Monroe Place	1992	13	3,950
144 Willow Street	1998	10	3,675
38 Monroe Place	2002	10	3,975
Feil Hall	2005	238	149,510
89 Hicks Street	2006	48	9,900

The Law School is also the trustee and remainder beneficiary of a trust that owns and administers a 23-unit apartment building at 148 – 150 Clinton Street in the Brooklyn Heights Historic District.

In addition, the Law School owns 27 parking spaces in a parking condominium located at 185 – 187 Pacific Street, which are leased to students, faculty and staff on a monthly basis.

*All properties except for Feil Hall were appraised in July 2011. Feil Hall was appraised in April 2007.

OPERATING INFORMATION

Admissions

The Law School receives applications substantially in excess of the number of students it accepts. The following table reflects application, acceptance and enrollment statistics for the five most recent academic years ending July 31:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Applications	4,763	4,860	5,886	5,984	6,017
Acceptances	1,487	1,525	1,652	1,604	1,734
Enrollments	494	493	496	486	390
Applications to Admissions	31.2%	31.4%	28.1%	26.8%	28.8%
Admittance to Enrollment	33.2%	32.3%	30.0%	30.3%	22.5%

Nationally, applications to ABA-approved law schools have declined since 2010. In 2011, applicant volume decreased by 10.7% compared with the previous year; as of June 18, 2012, applicant volume has decreased by another 14.2%. 169 law schools are reporting decreases this year in applications for the fall 2012 class (SOURCE: Law School Admission Council).

Although the Law School did not experience a decline in applications for fall 2011, as a result of increased competition for the most highly qualified students, it enrolled a smaller first year J.D. class of 390 students. Although the Law School could have admitted additional students from the applicant pool, the decision to maintain

a smaller class size enabled the Law School to achieve an LSAT profile for the fall 2011 J.D. class that was the second strongest in the Law School's history.

For the J.D. class entering in fall 2012, the Law School has experienced an approximately 24% decline in applications. However, through June 29, 2012, year to date deposits for the fall 2012 incoming class are consistent with deposits for the class entering in fall 2011. In addition, the quality of this year's admitted students who have made deposits is tracking closely to last year's class. The Law School continues to accept applications under a rolling admission process. The Fiscal Year 2013 budget anticipates a first year J.D. class of 390 students, consistent with the prior year's incoming class. The Law School's admissions practices for fall 2011 and fall 2012 have balanced the need to enroll the largest class possible without significantly compromising the quality of the student body.

Enrollment

The Law School attracts students from every region of the country. Over the past five years, 45% of the Law School's entering classes have come from outside New York State, typically residents of 31 other states, the District of Columbia and five foreign countries. The students range from recent college graduates to experienced professionals. At least 71% of the class enters the Law School one or more years after graduating from college. Approximately 33 students per year enter with advanced degrees. The average age of entering students is 24. The most recent entering classes have been the most highly credentialed in the Law School's 111-year history. In the 2009, 2010 and 2011 classes, 52% of all enrollees achieved LSAT scores at approximately the 88th percentile or higher. Approximately 58% of all students in these classes are graduates of many of the nation's most selective undergraduate colleges and universities. For the past three years, an average of 83% of the students pursue their studies on a full-time basis and 17% of students are enrolled on a part-time basis. Approximately 95% of all students complete their work for the Juris Doctor degree.

The following tables summarize the Law School's Fall enrollments for the five most recent academic years:

ENROLLMENT SUMMARY

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Full-Time	1,187	1,213	1,278	1,293	1,208
Part-Time	<u>310</u>	<u>279</u>	<u>180</u>	<u>168</u>	<u>175</u>
Total Enrollment	1,497	1,492	1,458	1,461	1,383

The Law School expects an enrollment of approximately 1,260 students for the fall of 2012.

Student Charges

The Law School's tuition charges and fees for entering students for the five most recent fiscal years and the percentage increase from the prior academic year are set forth in the following table:

STUDENT CHARGES

<u>Fiscal Year</u>	<u>Full-Time Tuition & Fees</u>	<u>Percentage Increase</u>	<u>Part-Time Tuition & Fees</u>	<u>Percentage Increase</u>
2008-09	\$ 42,375	6.9%	\$ 31,869	6.9%
2009-10	44,015	3.9	33,099	3.9
2010-11	46,635	6.0	35,065	5.9
2011-12	48,441	3.9	36,419	3.9
2012-13	50,001	3.2	37,593	3.2

Housing

The Law School currently provides housing for approximately 500 students. Entering students who occupy Law School housing pay an average monthly rent of \$1,372 for a single occupancy studio apartment, \$1,569 for a single

occupancy one-bedroom apartment, and \$1,283 for a double occupancy two-bedroom apartment. Students in the Law School's triple occupancy three-bedroom apartments and quadruple occupancy four-bedroom apartments currently pay a monthly rent of \$1,156 and \$1,130, respectively.

Financial Aid

The Law School administers a comprehensive financial aid program for its students. The primary financial aid sources available to students from the Law School are need-based assistance and merit scholarships. During the 2010-2011 academic year, 980 students, approximately 67% of the student body, received one or more forms of scholarship assistance. Based upon audited financial statements for the Law School's 2010-2011 fiscal year, the Law School awarded \$24,200,407 in scholarships and grants, representing approximately 36 % of tuition and fees income. Of this amount, \$305,237 was funded out of endowment income. During the 2011-2012 academic year, 942 students, approximately 68% of the student body, received one or more forms of scholarship assistance. Based upon unaudited figures for 2011-2012, the Law School awarded \$23,851,624 in scholarships and grants representing approximately 37% of total tuition and fees income.

The Law School has experienced increased competition from other law schools, which are increasing merit scholarships and financial aid in an environment of declining applications, as discussed in the section titled "Admissions." In planning budgets for the Law School's financial aid allocations to first-year students, the Law School has had the objective of controlling the cost of the merit scholarship program without jeopardizing the competitiveness of offers to students or the achievement of enrollment objectives.

The Law School also participates in a number of student loan programs. These include the federal Perkins Student Loan Program, the Graduate Plus Loans, which were initiated in 2006-2007, and Direct Subsidized and Unsubsidized Loans. Need-based grants to students are supplemented with on- and off-campus employment earnings that, in some part, are disbursed by the Law School from a Federal Work Study Program fund.

The following chart illustrates the sources and amount of financial aid (including scholarships and loans) received by students for the prior five completed academic years.

FINANCIAL AID

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Grants & Scholarships	\$ 8,392,285	\$12,078,745	\$15,557,785	\$19,213,417	\$24,200,407
Federal Work Study	1,225,575	1,365,162	1,676,317	1,678,146	1,623,863
Federal Loans					
Stafford Loans	22,085,962	24,073,398	23,535,469	22,365,042	22,044,940
Graduate Plus Loans	16,771,754	21,543,020	25,313,042	23,941,035	24,860,795
Perkins Loans	948,100	947,600	678,306	672,600	22,000
Loans from					
Law School Sources	<u>13,000</u>	<u>11,000</u>	<u>6,000</u>	<u>-</u>	<u>5,825</u>
Total	\$49,436,676	\$60,018,925	\$66,766,919	\$67,870,240	\$72,757,830

Faculty

The Law School currently has 67 full-time faculty members, including 39 tenured and 10 tenure-track faculty members, four faculty members appointed for five-year terms, and 14 faculty members appointed for terms of one to two years. Full-time faculty members are appointed to one of the following academic ranks: Professor, Associate Professor, Assistant Professor, and Instructor. In addition, the Law School currently has 13 visiting faculty members and two emeriti faculty members, who are appointed for a one-year term for teaching purposes. The Law School also has approximately 135 adjunct faculty members, including many distinguished judges and practitioners from the New York City metropolitan area, who are appointed for one-semester terms.

The following table sets forth the faculty profile for the current year and each of the prior four academic years.

FACULTY PROFILE

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Full-Time Faculty					
Tenured/Tenured Track	45	48	49	50	49
Five-Year Terms	3	3	3	5	4
One- to Two-Year Terms	<u>15</u>	<u>15</u>	<u>17</u>	<u>13</u>	<u>14</u>
Total Full-Time Faculty	63	66	69	68	67
Visiting Faculty	13	11	12	10	13
Emeritus Faculty	1	1	1	2	2
Adjunct Faculty	<u>120</u>	<u>125</u>	<u>125</u>	<u>142</u>	<u>135</u>
Total Faculty	197	203	207	222	217

Employee Relations

The Law School does not have any collective bargaining contracts covering any of its employees. At present there are no known union organizing campaigns involving employees of the Law School.

ANNUAL FINANCIAL STATEMENT INFORMATION

Financial Statement Information

The tables below are based on the audited financial statements of the Law School for the fiscal years ended June 30, 2007 through 2011, and should be read in conjunction with the audited financial statements of the Law School and the footnotes thereto as of June 30, 2011 included in Appendix B to this Official Statement.

The following table provides a summary of the Law School's audited assets, liabilities and net assets as of June 30, 2007 through 2011:

**Summary of Balance Sheet
Fiscal Year Ended June 30,
(in thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Assets	\$240,751	\$244,710	\$215,845	\$240,442	\$255,511
Total Liabilities	<u>102,825</u>	<u>101,646</u>	<u>80,522</u>	<u>100,537</u>	<u>98,061</u>
Total Net Assets	\$137,926	\$143,064	\$135,323	\$139,905	\$157,450
Comprised of					
Unrestricted	\$124,284	\$129,012	\$123,267	\$127,699	\$133,650
Temporarily Restricted	5,833	5,177	3,474	3,003	14,512
Permanently Restricted	<u>7,809</u>	<u>8,875</u>	<u>8,582</u>	<u>9,203</u>	<u>9,288</u>
Total Net Assets	\$137,926	\$143,064	\$135,323	\$139,905	\$157,450

The following table provides a summary of the audited revenues and other support, expenses and other changes in net assets for the years ended June 30, 2007 through 2011:

Summary of Changes in Net Assets
Fiscal Year Ended June 30,
(in thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues and gains:					
Student tuition and fees (net of scholarships)	\$ 45,776	\$ 45,723	\$ 45,578	\$ 43,513	\$ 42,674
New York State aid to educational institutions	131	126	120	114	99
Other investment income	-	-	255	96	64
Return on endowment made available for operations	2,332	3,016	1,012	1,959	2,926
Rental properties income	7,958	8,919	9,640	9,607	9,701
Gifts and bequests	1,150	870	1,799	4,668	2,839
Other	<u>1,353</u>	<u>666</u>	<u>439</u>	<u>449</u>	<u>247</u>
Total support and revenues	<u>58,700</u>	<u>59,320</u>	<u>58,843</u>	<u>60,406</u>	<u>58,550</u>
Expenses:					
Instruction	12,727	13,716	14,443	14,488	14,253
Academic support	4,342	4,308	4,601	4,313	4,444
Student services	4,149	4,460	4,686	3,996	4,043
Institutional support	6,891	7,430	7,855	8,733	8,625
Student aid	642	786	1,198	1,499	1,602
Housing	2,757	2,868	2,846	2,800	2,939
Fringe Benefits	7,511	7,993	8,479	8,705	8,684
Operations	3,790	4,096	4,060	3,947	4,036
Depreciation and amortization	5,355	5,360	5,391	5,207	5,152
Interest	<u>3,996</u>	<u>4,196</u>	<u>3,980</u>	<u>5,858</u>	<u>4,563</u>
Total expenses	<u>52,160</u>	<u>55,213</u>	<u>57,539</u>	<u>59,546</u>	<u>58,341</u>
Results of operations	<u>6,540</u>	<u>4,107</u>	<u>1,304</u>	<u>860</u>	<u>209</u>
Nonoperating Results					
Return on endowment					
Realized gain (loss) on sale of investments	4,357	2,460	(4,471)	1,036	4,457
Unrealized gain (loss) on investments	3,549	(4,646)	(7,848)	3,185	11,652
Investment income	<u>2,332</u>	<u>3,016</u>	<u>1,125</u>	<u>1,162</u>	<u>1,660</u>
Total return on endowment	<u>10,238</u>	<u>830</u>	<u>(11,194)</u>	<u>5,383</u>	<u>17,769</u>
Return on Endowment Made Available for Operations	<u>(2,332)</u>	<u>(3,016)</u>	<u>(1,012)</u>	<u>(1,959)</u>	<u>(2,926)</u>
Gifts and Bequests for Long-Term Purposes	<u>1,607</u>	<u>2,485</u>	<u>409</u>	<u>658</u>	<u>2,093</u>
Change in Value of Split Interest Agreements	<u>107</u>	<u>62</u>	<u>140</u>	<u>60</u>	<u>77</u>
Other Postretirement-Related Changes					
Other Than Net Periodic Costs	<u>-</u>	<u>670</u>	<u>2,613</u>	<u>(421)</u>	<u>323</u>
Change in net assets before the effect of adoption of FASB Statement 158	16,160	5,138	(7,740)	4,581	17,545
Effect of adoption of FASB Statement No. 158	<u>(1,786)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	14,374	5,138	(7,740)	4,581	17,545
Net assets at beginning of year	<u>123,552</u>	<u>137,926</u>	<u>143,064</u>	<u>135,324</u>	<u>139,905</u>
Net assets at end of year	<u>\$137,926</u>	<u>\$143,064</u>	<u>\$135,324</u>	<u>\$139,905</u>	<u>\$157,450</u>

The Law School estimates that net assets will increase by approximately \$8.4 million for the fiscal year ending June 30, 2012. This estimate includes a gain of approximately \$9 million resulting from the sale of a residence facility that was no longer needed by the Law School and an investment loss of approximately \$1.5 million. This estimate of a change in net assets is preliminary, unaudited and subject to change as a result of market performance and other factors.

Government Contracts and Grants

The Law School receives funding from New York State in the form of Bundy Aid, a program that allocates funds to not-for-profit schools of higher education based on the number of academic degrees conferred in the preceding year. For its 2011 fiscal year, the Law School received \$98,959 in Bundy Aid.

Gifts and Bequests

For the fiscal year ended June 30, 2010, total gifts amounted to \$5.3 million. The total was comprised of unrestricted gifts of \$4,015,605, temporarily restricted gifts of \$688,917, and permanently restricted endowment gifts of \$621,240. Similarly in its 2011 fiscal year, total gifts amounted to \$4.9 million, which was comprised of unrestricted private gifts, grants and contracts of \$2,711,704, temporarily restricted gifts of \$1,391,307, and permanently restricted endowment gifts of \$829,243. Temporarily restricted and permanently restricted gifts include both pledges and cash gifts received. During the current fiscal year through June 30, 2012, total gifts amounted to \$5.4 million (preliminary, unaudited).

Investments

At June 30, 2011, the fair value of the Law School's investments totaled \$93,803,704. At June 30, 2012, the fair value of the Law School's investments totaled \$108,213,199 (preliminary, unaudited). The value of the Law School's restricted and unrestricted investments may be adversely affected by events in the financial markets.

All gains and losses arising from the sale, collection, or other disposition of investments are based on cost or, in the case of acquisitions by gift, on market value at the date of receipt.

The Law School allocates endowment income and realized and unrealized gains to the endowed funds using the average cost allocation method. The endowment generated investment income for the year ending June 30, 2011 of \$1.7 million of which \$337,000 was temporarily restricted. Income that has satisfied endowment restrictions is then released to operating net assets.

The following table summarizes the audited fair value of investments at June 30 for each of the 2007 through 2011 fiscal years:

	Fair Value of Investments as of June 30, (in thousands)				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,672	\$ 1,209	\$ 1,764	\$ 3,183	\$ 1,981
Certificates of Deposit	-	-	2,360	-	-
Limited partnerships	2,608	5,092	3,621	10,614	4,901
Debt instruments	13,798	7,815	3,724	20,734	5,042
Stocks	42,911	45,427	27,362	38,697	46,632
Exchange-traded funds	-	-	-	2,533	33,248
Redemption receivable from limited partnership	-	-	-	-	2,000
Total	\$60,989	\$59,543	\$38,831	\$75,761	\$93,804

The Law School changed investment advisors as of March 2012 to J.P. Morgan. The Law School is in the process of implementing a revised asset allocation, as follows: 55% equities, 35% fixed income/cash and 10% alternative assets.

The Law School had a policy of appropriating for distribution each year 4.5% of its donor-restricted endowment funds' average fair value over the prior three years. Effective June 2012, the Law School's policy has changed to include all endowment funds, restricted and unrestricted, in the 4.5% distribution.

Plant Values

The following table summarizes the net investment in land, buildings and equipment as of June 30 of the 2007 through 2011 fiscal years:

	Value of Law School-Owned Land, Buildings and Equipment as of June 30, (in thousands)				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Land	\$ 10,568	\$ 10,568	\$ 10,568	\$ 10,568	\$ 10,568
Building and building improvements	156,185	157,785	163,271	165,158	167,527
Furniture and equipment	4,023	3,531	3,546	3,754	1,405
Art work	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59</u>
	170,776	171,884	177,385	179,480	179,559
Less accumulated depreciation	<u>(27,636)</u>	<u>(32,116)</u>	<u>(37,503)</u>	<u>(42,710)</u>	<u>(45,327)</u>
Property, plant and equipment - net	\$143,140	\$139,768	\$139,882	\$136,770	\$134,232

The Law School carries property insurance on its buildings, excluding land and building foundations, based on 100% of their replacement cost. The School insures the buildings' contents at their depreciated value.

Outstanding Indebtedness

The outstanding long-term debt as of July 1, 2012 was as follows:

Outstanding Long-Term Debt	
Long-term debt with the Dormitory Authority	
Insured Revenue Bonds, Series 2003A	\$17,495,000*
Insured Revenue Bonds, Series 2003B	38,025,000*
Revenue Bonds, Series 2009	<u>22,340,000**</u>
Total	\$77,860,000

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

** The Series 2009 Bonds are secured by a parity pledge of the Pledged Revenues and the Mortgaged Property.

The Law School has no current intentions to incur any additional debt. However, from time to time, opportunities arise for the Law School to acquire residential or other property in the neighborhoods surrounding the Law School's facilities. Additionally, certain of the Law School's existing properties may be suitable for future renovation and expansion to provide additional administrative, academic or residential space, or a combination of such uses. In connection with any such acquisition, renovation or expansion, the Law School may, subject to its compliance with the conditions contained in the Loan Agreement, incur either Short-Term Indebtedness or Long-Term Indebtedness for the payment of all or a portion of the purchase price of property acquired in the future, or the costs of renovating the acquired property or of the costs of renovating and expanding an existing facility.

Postretirement Benefits and Pension Plans

The Law School sponsors a postretirement medical plan for its employees. The plan provides medical benefits to employees with at least 15 years of service who retire on or after 62. Benefits are provided to spouses and dependents of members who are eligible for benefits. The Law School has the right to modify this program at any time. Approximately 17 employees are currently receiving those benefits.

The table below sets forth for each of the Fiscal Years shown the then projected future cost to the Law School of post-employment benefits for persons employed by the Law School during each of those Fiscal Years who may be entitled to such benefits upon their retirement, taking into consideration, among other factors, their ages and actuarial life expectancy.

**Postretirement Benefit Obligation
(in thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Projected Obligation	\$5,385	\$5,225	\$3,076	\$3,643	\$3,473

The Law School has a defined contribution retirement plan under an arrangement with the Teachers Insurance and Annuity Association and College Retirement Equities Fund for its employees who have been employed for more than two years. Benefits vest on contribution to the fund. Although the Law School is not obligated to contribute to this plan, its current policy is to contribute 12.5% of salary of employees. Pension expense for the past five fiscal years ended June 30 was as follows:

**Pension and Postretirement Expenses
as of June 30,
(in thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Pension Expense	\$1,958	\$2,117	\$2,210	\$2,330	\$2,417

Future Capital Plans

No major capital projects or improvements are contemplated over the next five years.

Risk Factors Affecting the Law School

Purchase of the Series 2012A Bonds involves a degree of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Series 2012A Bonds are an appropriate investment. Certain of the risks associated with the purchase of the Series 2012A Bonds are described below.

Adequacy of Revenues

The principal of, redemption premium, if any, and interest on the Series 2012A Bonds are payable solely from the amounts paid by the Law School. No representation or assurance can be given that the Law School will generate sufficient revenue to pay the Series 2012A Bonds and to make other payments required by the Loan Agreement. The ability of the Law School to make payments under the Loan Agreement depends, among other things, upon the capabilities of management of the Law School, economic conditions including the demand for educational services, changes in federal funding or changes in reimbursement for educational services and the ability of the Law School to realize an adequate return on its investments and other factors. No assurances can be given that the revenues available to the Law School from its operations will be available in amounts sufficient to make the required payments under the Loan Agreement.

Economic Factors

Apart from competition and other business risks facing the Law School, the financial performance of the Law School will depend to some degree upon factors beyond the control of its management, including general national and local economic conditions (e.g., inflation, unemployment, population growth and distribution trends) and federal, state and local taxation and laws and regulations affecting the Law School.

General Factors

The following factors, which are not all-inclusive, may adversely affect the operations of educational institutions in the future, including the operation of the Law School, to an extent that cannot be determined at this time.

1. The reduced demand for a legal education, generally, or a decline in the economic conditions of the areas from which the Law School draws a significant portion of its enrollment.

2. Cost increases without corresponding increases in revenue could result from, among other factors, increases in the salaries, wages and fringe benefits of employees and inflation.

3. Future legislation and regulations affecting educational institutions, their tax-exempt status and financial aid and educational institutions in general could adversely affect the operations of the Law School.

4. Competition from other law schools throughout the geographic area of the Law School, schools outside the Law School's geographic area with which the Law School competes and from alternative or substitute educational programs, may decrease enrollment at the Law School.

5. The Internal Revenue Code of 1986, as amended, places certain limitations on the ability of educational institutions to finance certain projects, invest bond proceeds and advance refund prior tax-exempt bond issues. These limitations may increase the interest costs for any future borrowings by the Law School.

6. 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 law school. 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 Law School and income derived from the investment of endowment and similar funds. There is no assurance that the programs will continue to be available to the students of the Law School. A substantial change in the availability of financial aid could adversely affect the Law School's ability to generate tuition revenues and therefore its ability to make payments under the Agreement.

Miscellaneous

The Law School may be impacted by the cost and the limited availability and sufficiency of insurance for risks such as property damage and general liability.

The occurrence of natural disasters, including earthquakes and hurricanes, may damage the facilities of the Law School, interrupt utility service to the facilities, or otherwise impair the operations of the Law School and the generation of revenues from its facilities. The facilities of the Law School are covered by general property insurance in an amount which its management considers to be sufficient to provide for the replacement of such facilities in the event of a natural disaster.

LITIGATION

On February 1, 2012, the Law School was named in a class action, *Bevelacqua v. Brooklyn Law School*, No. 500175/2012E (N.Y. Sup. Ct., King's County). The amended complaint includes five named plaintiffs – graduates of the Law School who claim that the Law School's posting of aggregate graduate survey data deceived them into believing that it would be easier than it has been for them to obtain high-paying legal employment upon graduation. They have brought causes of action under Sections 349 and 350 of New York's General Business Law, as well as common-law fraud and negligent misrepresentation. The amended complaint seeks a partial refund of tuition for a class of those who attended the Law School in the last six years, punitive damages, and injunctions regarding how the Law School can collect and report its graduates' survey responses in the future.

The Law School believes that it has strong defenses and it has engaged the law firm of Skadden, Arps, Slate, Meagher & Flom LLP & Affiliates to defend this action. Justice David I. Schmidt of the Commercial Division in King's County has been assigned to this matter. The Law School moved to dismiss the complaint on June 8, 2012. On July 9, 2012, Plaintiffs' filed their opposition to the motion to dismiss and a motion for disqualification or voluntary recusal of Justice David I. Schmidt. The Law School's reply is due on July 20, 2012. Both motions have been noticed for hearing on August 1, 2012 and the ultimate outcome of the lawsuit cannot be determined at this time.

This suit is one of fifteen similar lawsuits that plaintiffs' counsel have brought against law schools across the country, and they have stated in the media their intention to file as many as twenty more. The first substantive decision in one of their cases resulted in the granting of a motion to dismiss by Justice Melvin L. Schweitzer of the Commercial Division in Manhattan. See *Gomez-Jimenez v. New York Law School*, No. 652226/11, 2012 Slip Op. 22071 (Sup. Ct., N.Y. County Mar. 21, 2012).

PART 7 – 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>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
Public Programs				
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.....	\$ 3,817,230,725	\$ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
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. Romski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for “Arverne By The Sea,” where he is responsible for advancing and overseeing all facets of “Arverne by the Sea,” one of New York City’s largest mixed-use developments located in Queens, NY. Mr. Romski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department’s Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Romski 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. Romski 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 (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

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 2012A 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 8 – LEGALITY OF THE SERIES 2012A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2012A 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 2012A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 – NEGOTIABLE INSTRUMENTS

The Series 2012A 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 2012A Bonds.

PART 10 – TAX MATTERS

In the opinion of Squire Sanders (US) LLP and D. Seaton and Associates, Co-Bond Counsel, under existing law: (i) interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Series 2012A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Co-Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2012A Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority and the Law School to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2012A Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. In addition, Co-Bond Counsel has relied on, among other things, the opinions of Nixon Peabody LLP, special financing counsel to the Law School, regarding, among other matters, the current status of the Law School as an organization described in Section 501(c)(3) of the Code, which opinions are subject to a number of qualifications and limitations. Co-Bond Counsel has not given any opinion or assurance concerning Section 513(a) of the Code or the effect of any future activities of the Authority or the Law School. Failure of the Law School to maintain its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2012A Bonds in a manner that is substantially related to the Law School’s charitable purpose under Section 513(a) of the Code, may cause interest on the Series 2012A Bonds to be included in gross income retroactively to the date of the issuance of the Series 2012A Bonds. Co-Bond Counsel will not independently verify the accuracy of the Authority’s and the Law School’s certifications and representations or the continuing compliance with the Authority’s and the Law School’s covenants.

The opinion of Co-Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Bond Counsel's legal judgment as to exclusion of interest on the Series 2012A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Co-Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Authority or the Law School may cause loss of such status and result in the interest on the Series 2012A Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012A Bonds. The Authority and the Law School have each covenanted to take the actions required of it for the interest on the Series 2012A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2012A Bonds, Co-Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2012A Bonds or the market value of the Series 2012A Bonds.

A portion of the interest on the Series 2012A Bonds earned by certain corporations may be subject to the federal corporate alternative minimum tax, which is based in part on adjusted current earnings. In addition, interest on the Series 2012A Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2012A Bonds. Co-Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2012A Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2012A Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Series 2012A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2012A Bonds will not have an adverse effect on the tax status of interest on the Series 2012A Bonds or the market value or marketability of the Series 2012A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2012A Bonds from gross income for federal or state income tax purposes.

For example, both the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, and introduced into the Senate on September 13, 2011, and the federal budget for fiscal year 2013 as proposed by President Obama on February 13, 2012, contain provisions that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Series 2012A Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Series 2012A Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2012A Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Co-Bond Counsel expresses no opinion.

Co-Bond Counsel's engagement with respect to the Series 2012A Bonds ends with the issuance of the Series 2012A Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the Authority, the Law School or the owners of the Series 2012A Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Series 2012A Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2012A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2012A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2012A Bonds.

Original Issue Premium

The Series 2012A Bonds were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Series 2012A Bond, based on the yield to maturity of that Series 2012A Bond (or, in the case of a Series 2012A Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Series 2012A Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Series 2012A Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Series 2012A Bond, the owner's tax basis in the Series 2012A Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Series 2012A Bond for an amount equal to or less than the amount paid by the owner for that Series 2012A Bond. A purchaser of a Series 2012A Bond in the initial public offering at the price for that Series 2012A Bond stated on the cover of this Official Statement who holds that Series 2012A Bond to maturity (or, in the case of a callable Series 2012A Bond, to its earlier call date that results in the lowest yield on that Series 2012A Bond) will realize no gain or loss upon the retirement of that Series 2012A Bond.

Owners of the Series 2012A Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly amortizable in any period with respect to the Series 2012A Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income. See "Appendix E – Form of Approving Opinion of Co-Bond Counsel."

PART 11 – STATE NOT LIABLE ON THE SERIES 2012A 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 2012A Bonds are not a debt of the State and that the State is not liable on them.

PART 12 – 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 13 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2012A Bonds by the Authority are subject to the approval of Squire Sanders (US) LLP, New York, New York, and D. Seaton and Associates, New York, New York, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2012A Bonds. The proposed form of those opinions is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Law School by its special financing counsel, Nixon Peabody LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Winston Strawn LLP, New York, New York.

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

PART 14 – UNDERWRITING

J.P. Morgan Securities LLC has agreed, subject to certain conditions, to purchase the Series 2012A Bonds from the Authority at an aggregate purchase price of \$53,526,666.32 (which represents the par amount of the Series 2012A Bonds less Underwriter's discount of \$306,811.23 and plus net original issue premium of \$7,258,477.55) and to make a public offering of Series 2012A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2012A Bonds if any are purchased.

J.P. Morgan Securities LLC ("JPMS"), the Underwriter of the Series 2012A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2012A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2012A Bonds that such firm sells.

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

PART 15 – CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Law School has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the Series 2012A Bonds 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 of its fiscal years, commencing with the fiscal year of the Law School ending June 30, 2012, for filing by DAC with the Municipal Securities Rulemaking Board ("MSRB") and its Electronic Municipal Market Access system for municipal securities disclosures on an annual basis, operating data and financial information of the type hereinafter described which is described in "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012A BONDS – Financial Covenants – *Maintenance Covenants*" and included in "PART 6 – THE LAW SCHOOL" of this Official Statement (collectively, the "Annual Information"), together with the Law School's annual financial statements prepared in accordance with U.S. generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with such generally accepted auditing standards; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB.

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

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in “PART 6 – THE LAW SCHOOL” under the headings “OPERATING INFORMATION” and “ANNUAL FINANCIAL STATEMENT INFORMATION” relating to: (1) *student admissions*, similar to that set forth under the heading “ADMISSIONS STATISTICS;” (2) *student enrollment*, similar to that set forth under the heading “ENROLLMENT SUMMARY;” (3) *tuition and other student charges*, similar to that set forth under the heading “STUDENT CHARGES;” (4) *financial aid*, similar to that set forth under the subheading “FINANCIAL AID;” (5) *faculty*, similar to that set forth under the heading “FACULTY PROFILE;” (6) *restricted and designated net assets*, similar to that set forth under the heading “SUMMARY OF CHANGES IN NET ASSETS;” (7) *investment information*, similar to that set forth under the heading “FAIR VALUE OF INVESTMENTS;” and (8) *outstanding long-term indebtedness*, similar to that set forth under the heading “OUTSTANDING LONG-TERM DEBT;” together with (b) calculations of the Debt Service Coverage Ratio and the Available Assets to Debt Ratio for the applicable fiscal year and (c) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Law School and in judging the financial and operating condition of the Law School.

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

The Notices include notices of any of the following events with respect to the Series 2012A 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 or determinations with respect to the tax status of the security, or material events affecting the tax-exempt status of the Series 2012A Bonds; (7) modifications to the rights of Holders of the Series 2012A Bonds, if material; (8) bond calls (other than pursuant to mandatory sinking fund redemption requirements), if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2012A Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Law School; (14) merger, consolidation or acquisition of or involving the Law School, if material; and (15) appointment of a successor or additional trustee, or the change in name of a trustee, if material. In addition, DAC will undertake, for the benefit of the Holders of the Series 2012A Bonds, to provide to the MSRB in a timely manner, notice of any failure by the Law School to provide the Annual Information and Audited Financial Statements by the date required in the Law School’s undertaking described above.

The sole and exclusive remedy for breach or default under the agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of DAC, the Law School and/or the Authority, and no person, including any Holder of the Series 2012A Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the agreement shall not constitute an Event of Default under the Resolution, the Series 2012A Resolution 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 agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Continuing Disclosure Agreement do not anticipate that it often will be necessary to amend the informational undertaking. The Continuing Disclosure Agreement, however, may be amended or modified without Bondholders consent under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement are on file at the principal office of the Authority.

PART 16 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (i) the mathematical computations of the adequacy of the cash and the maturing principal of and interest earned on the government obligations to be held in escrow to pay maturing principal or redemption price of, and interest on, the Refunded Bonds and (ii) certain mathematical computations supporting the conclusion that the Series 2012A Bonds are not “arbitrage bonds” under the Code, will be verified by Samuel Klein and Company, Certified Public Accountants. See “PART 4 – THE REFUNDING PLAN.”

PART 17 – RATINGS

Moody’s Investors Service (“Moody’s”) has assigned a rating of “Baa1” to the long-term obligations of the Law School. Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc. (“Standard & Poor’s”) has assigned a rating of “BBB+” to the long-term obligations of the Law School. 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 2012A Bonds.

PART 18 – MISCELLANEOUS

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

The agreements of the Authority with Holders of the Series 2012A Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2012A Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2012A 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 Law School was supplied by the Law School. 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 Co-Bond Counsel" have been prepared by Squire Sanders (US) LLP and D. Seaton and Associates, New York, New York, Co-Bond Counsel.

"Appendix B – Financial Statements of Brooklyn Law School and Independent Auditor's Report" contains the audited financial statements of the Law School as of and for the years ended June 30, 2011 and 2010 and the report of the Law School's independent auditor, McGladrey LLP (formerly McGladrey & Pullen, LLP), on such financial statements for the year ended June 30, 2011.

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

The Law School 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

CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

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

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

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

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

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

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

Authority Fee means the fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and the construction of the Project, as more particularly described in Schedule B to the Loan Agreement and made a part of 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, Vice-Chair, Secretary and Assistant Secretaries, Treasurer and Assistant Treasurers, Executive Director, Deputy Executive Director, Chief Financial Officer, Managing Director of Public Finance and Portfolio Monitoring, Managing Director of Construction and 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 Institution, when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of the Institution to perform such act or execute such document; and (iii) in the case of the Trustee, any officer within the corporate trust department of the Trustee having direct responsibility for the administration of

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the applicable series of Bonds, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

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

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

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

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

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

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

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

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

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

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

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

Contract Documents means any general contract or agreement for the construction of the Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institution 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 Bonds of a Series, which items of expenses shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, a Provider or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on such Bonds, commitment fees or similar charges relating to a Credit Facility, a Liquidity Facility, an Interest Rate Exchange Agreement or a Remarketing Agreement, costs and expenses in connection with the refunding of Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a remarketing agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

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

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

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

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

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

Debt Service Reserve Fund means the fund, if any, so designated, created and established pursuant to the Resolution

Debt Service Reserve Fund Requirement means, unless otherwise provided in the applicable Series Resolution, as of any particular date of computation, an amount equal to the greatest amount required in the then

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current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Bonds of a Series payable during such year, excluding interest accrued thereon prior to July 1 of the next preceding year, except that if, upon the issuance of a Series of Bonds, such amount would require moneys, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, to be deposited therein, the Debt Service Reserve Fund Requirement shall mean an amount equal to the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as certified by an Authorized Officer of the Authority; **provided, however**, that for purposes of this definition (a) the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of interest and principal payable on July 1 of the year in which such Capital Appreciation Bond or Deferred Income Bond matures or in which such Sinking Fund Installment is due, (b) it shall be assumed that a Variable Interest Rate Bond, prior to its conversion to bear interest at a fixed rate, bears interest during any year at the higher of (1) the lesser of (x) a fixed rate of interest equal to that rate, as estimated by an Authorized Officer of the Authority, after consultation with the remarketing agent, if any, or with an investment banking firm which is regularly engaged in the underwriting of or dealing in bonds of substantially similar character, on a day not more than twenty (20) days prior to the date of initial issuance of such Variable Interest Rate Bond, which such Variable Interest Rate Bond would have had to bear to be marketed at par on such date as a fixed rate obligation maturing on the maturity date of such Variable Interest Rate Bond and (y) if the Authority or the Institution has in connection with such Variable Interest Rate Bond entered into an Interest Rate Exchange Agreement which provides that the Authority or the Institution is to pay to another person an amount determined based upon a fixed rate of interest on the Outstanding principal amount of the Variable Interest Rate Bonds to which such agreement relates, the fixed rate of interest set forth in or determined in accordance with such agreement, and (2) a rate, not less than the initial rate of interest on such Variable Interest Rate Bond, set forth in or determined pursuant to a formula set forth in the Resolution, and (c) if a Variable Interest Rate Bond shall be converted to a fixed rate Bond for the remainder of the term thereof and as a result of such conversion a deficiency shall be created in the Debt Service Reserve Fund, the Debt Service Reserve Fund Requirement shall be calculated so as to exclude the amount of such deficiency and the Debt Service Reserve Fund Requirement shall be increased in each of the five (5) years after the date of such conversion by an amount which shall be equal to twenty per centum (20%) of the aforesaid deficiency.

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

(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;

provided, however, that (1) such term shall not include 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.

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

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

Exempt Obligation means:

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

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

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

Facility Provider means the issuer of any Reserve Fund Facility.

Federal Agency Obligation means:

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

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

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

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

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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.

Institution means Brooklyn Law School, a corporation duly organized and existing under the laws of the State, which is an institution for higher education, located in the State and authorized to confer degrees by law or by the Board of Regents of the State, or any successor thereto.

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

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

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

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

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

- (ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;
- (iii) the Government National Mortgage Association or any successor thereto;
- (iv) the Federal National Mortgage Association or any successor thereto; or
- (v) any other federal agency or instrumentality approved by the Authority.

Loan Agreement means the Loan Agreement, as the same may be amended, supplemented or otherwise modified as permitted by the Loan Agreement and by the Resolution.

Maximum Annual Debt Service means on any date, when used with respect to the Bonds, the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Bonds payable during such year assuming that a Variable Interest Rate Bond bears interest at a fixed rate of interest equal to that rate which, in the reasonable determination of an Authorized Officer of the Authority, such Variable Interest Rate Bond would have had to bear as a fixed rate bond to be marketed at par on the date of its initial issuance.

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

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

Mortgage means a mortgage, if any, granted by the Institution to the Authority, in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property mortgaged in connection therewith as security for the performance of the Institution's obligations under the Loan Agreement, as such Mortgage may be amended or modified from time to time.

Mortgaged Property means the land or interest therein described in each Mortgage, together with the buildings and improvements thereon or hereafter erected thereon and the furnishings and equipment owned by the Institution located thereon or therein as may be specifically identified in a Mortgage.

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

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

- (i) any Bond canceled by the Trustee at or before such date;
- (ii) any Bond deemed to have been paid in accordance with Section 12.01 of the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article III, Section 4.06 or Section 10.07 of the Resolution; and

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(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 Pledges means the liens, pledges, charges, encumbrances and security interests in tuition and fees received by the Institution made and given pursuant to agreements entered into by the Institution in connection with the following indebtedness: the Series 2009 Bonds.

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

Permitted Collateral means:

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

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

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

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

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

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

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

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

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

(iv) Easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like

purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

- (v) Any instrument recorded pursuant to the applicable Section of the Loan Agreement;
- (vi) The Mortgage; and
- (vii) Such other encumbrances, defects, and irregularities to which the prior written consent of the Authority or the Trustee, as applicable, has been obtained.

Permitted Investments means:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are 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 an amount equal to the Maximum Annual Debt Service from tuition and fees charged to students for academic instruction, the right to receive the same and the proceeds thereof.

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

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

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

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

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

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

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

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

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

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

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

Refunded Bonds means the outstanding principal amount of the Authority's Brooklyn Law School Insured Revenue Bonds, Series 2003C.

Related Agreements means each Remarketing Agreement, Interest Rate Exchange Agreement and agreement entered into in connection with a Liquidity Facility or Credit Facility, to which the Institution is a party, if any.

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

Resolution means the Brooklyn Law School Revenue Bond Resolution, adopted by the Authority October 29, 2008, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

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

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority that pursuant to the applicable Loan Agreement are required to be paid to the Trustee for such Series of Bonds (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund) and all amounts received as a consequence of the enforcement of the Loan Agreement, including but not limited to amounts derived from the foreclosure or sale of or other realization upon the Pledged Revenues, if any.

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

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

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

Series 2009 Bonds means the Authority's Brooklyn Law School Revenue Bonds, Series 2009.

Appendix A

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

Series 2012A Resolution means the Series 2012A Resolution Authorizing Up To \$60,000,000 Brooklyn Law School Revenue Bonds, Series 2012A, adopted by the Authority on June 20, 2012.

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

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

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

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

State means the State of New York.

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

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

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

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

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

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

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

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

Schedule D to the Loan Agreement Definitions

"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 Institution 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.

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

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

"Balloon Indebtedness" is Long-Term Indebtedness of which 25% or more in principal amount matures or is mandatorily required to be redeemed or prepaid in any one year.

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

"Fiscal Year" means a twelve month period beginning on July 1st of a calendar year and ending on June 30th of the next succeeding calendar year, or such other twelve month period as the Institution may elect as its fiscal year.

"Indebtedness" means, without duplication, indebtedness for borrowed money incurred or guaranteed by the Institution, 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 Institution in accordance with generally accepted accounting principles then applicable to the Institution; **provided, however**, that Non-Recourse

Appendix A

Indebtedness shall not constitute "Indebtedness" for purposes of the "debt service coverage" section of Schedule D to the Loan Agreement.

"Long-Term Indebtedness" means Indebtedness having an original maturity of greater than one (1) year or Indebtedness on which the Institution 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; **provided, however**, that Non-Recourse Indebtedness shall not constitute "Indebtedness" for purposes of the "available assets to debt" section of Schedule D to the Loan Agreement.

"Maximum Annual Debt Service" when used in connection with any Indebtedness for purposes of Schedule D to the Loan Agreement, means as of any particular date of calculation the greatest amount required to be paid by the Institution 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.

"Management Consultant" means a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing the Institution's operations, acceptable to the Authority and pursuant to an engagement agreement acceptable to the Authority.

"Non-Recourse Indebtedness" means indebtedness secured by a mortgage or other lien on property on which the creditor has agreed that it will not seek to enforce or collect such indebtedness out of any property or assets of the Institution 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 Institution

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

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

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

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

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

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

**FINANCIAL STATEMENTS OF BROOKLYN LAW SCHOOL
AND INDEPENDENT AUDITOR'S REPORT**

Appendix B

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Brooklyn Law School

Financial Report

June 30, 2011

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Independent Auditor's Report

To the Board of Trustees
Brooklyn Law School
Brooklyn, New York

We have audited the accompanying statements of financial position of the Brooklyn Law School (the "Law School") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Law School'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 the Law School as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "McGladrey & Pullen, LLP".

New York, New York
October 26, 2011

Brooklyn Law School**Statements of Financial Position
June 30, 2011 and 2010**

	2011	2010
ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 5,567,476	\$ 4,190,656
Accounts Receivable	382,290	521,611
Accrued Interest Receivable	86,771	56,745
Pledges Receivable - net (Notes 2 and 3)	1,526,166	1,882,621
Loans Receivable (Note 2):		
Student loans - net	343,112	509,320
Perkins student loans	3,257,037	4,033,872
Prepaid Expenses	408,032	670,536
Investments (Notes 2 and 6)	93,803,704	75,761,221
Assets Held by Trustee Under Bond Indenture Agreement (Note 2)	11,178,629	11,169,569
Net Assets Held Under Charitable Remainder Trust Agreements (Note 12)	1,030,285	944,111
Property, Plant and Equipment - net of accumulated depreciation (Notes 2, 7 and 8)	134,232,324	136,770,347
Deferred Costs	3,695,523	3,931,438
Total assets	\$ 255,511,349	\$ 240,442,047
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,061,823	\$ 6,353,492
Interest payable (Note 8)	2,211,269	2,253,925
Tuition and other fees collected in advance (Note 2)	962,507	1,244,263
Accrued postretirement benefits payable (Note 9)	3,473,052	3,642,562
Refundable loan program (Note 2)	3,066,758	3,036,229
Bonds payable (Note 8)	82,285,695	84,006,559
Total liabilities	98,061,104	100,537,030
Net Assets:		
Unrestricted:		
Net investment in plant	66,478,346	67,288,790
Other	67,171,074	60,410,666
Total unrestricted	133,649,420	127,699,456
Temporarily restricted (Note 4)	14,512,412	3,002,563
Permanently restricted (Note 5)	9,288,413	9,202,998
Total net assets	157,450,245	139,905,017
Total liabilities and net assets	\$ 255,511,349	\$ 240,442,047

See Notes to Financial Statements.

Brooklyn Law School

Statements of Activities Years Ended June 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Gains:								
Student tuition and fees (net of scholarships of \$24,200,407 and \$19,213,417 in 2011 and 2010, respectively)	\$ 42,673,680	\$ -	\$ -	\$ 42,673,680	\$ 43,512,791	\$ -	\$ -	\$ 43,512,791
New York State aid to educational institutions	98,959	-	-	98,959	114,339	-	-	114,339
Other investment income	64,164	-	-	64,164	96,403	-	-	96,403
Return on endowment made available for operations	2,881,532	44,488	-	2,926,020	1,941,794	17,275	-	1,959,069
Rental properties income	9,700,672	-	-	9,700,672	9,606,661	-	-	9,606,661
Gifts and bequests	2,697,404	141,307	-	2,838,711	3,979,344	688,917	-	4,668,261
Other	247,340	-	-	247,340	449,298	-	-	449,298
	<u>58,363,751</u>	<u>185,795</u>	<u>-</u>	<u>58,549,546</u>	<u>59,700,630</u>	<u>706,192</u>	<u>-</u>	<u>60,406,822</u>
Net assets released from restrictions for operating purposes (Note 10)	<u>393,738</u>	<u>(393,738)</u>	<u>-</u>	<u>-</u>	<u>305,967</u>	<u>(305,967)</u>	<u>-</u>	<u>-</u>
Total revenues and gains	<u>58,757,489</u>	<u>(207,943)</u>	<u>-</u>	<u>58,549,546</u>	<u>60,006,597</u>	<u>400,225</u>	<u>-</u>	<u>60,406,822</u>
Expenses:								
Instruction	14,252,609	-	-	14,252,609	14,488,197	-	-	14,488,197
Academic support	4,443,967	-	-	4,443,967	4,313,128	-	-	4,313,128
Student services	4,043,568	-	-	4,043,568	3,996,070	-	-	3,996,070
Institutional support	8,624,839	-	-	8,624,839	8,733,279	-	-	8,733,279
Student aid	1,602,282	-	-	1,602,282	1,499,031	-	-	1,499,031
Housing expense	2,938,854	-	-	2,938,854	2,799,651	-	-	2,799,651
Fringe benefits	8,683,681	-	-	8,683,681	8,705,139	-	-	8,705,139
Operations expense	4,036,527	-	-	4,036,527	3,946,609	-	-	3,946,609
Depreciation expense	5,152,006	-	-	5,152,006	5,207,298	-	-	5,207,298
Interest and amortization expense	4,562,588	-	-	4,562,588	5,857,675	-	-	5,857,675
	<u>58,340,921</u>	<u>-</u>	<u>-</u>	<u>58,340,921</u>	<u>59,546,077</u>	<u>-</u>	<u>-</u>	<u>59,546,077</u>
Total expenses	<u>58,340,921</u>	<u>-</u>	<u>-</u>	<u>58,340,921</u>	<u>59,546,077</u>	<u>-</u>	<u>-</u>	<u>59,546,077</u>
Results of operations (Note 2)	<u>416,568</u>	<u>(207,943)</u>	<u>-</u>	<u>208,625</u>	<u>460,520</u>	<u>400,225</u>	<u>-</u>	<u>860,745</u>
Nonoperating Results:								
Return on endowment:								
Realized gain	3,569,591	887,859	-	4,457,450	1,036,480	-	-	1,036,480
Unrealized gain	9,508,885	2,142,837	-	11,651,722	3,185,257	-	-	3,185,257
Investment income	1,322,371	337,135	-	1,659,506	1,144,536	17,275	-	1,161,811
	<u>14,400,847</u>	<u>3,367,831</u>	<u>-</u>	<u>17,768,678</u>	<u>5,366,273</u>	<u>17,275</u>	<u>-</u>	<u>5,383,548</u>
Total return on endowment	<u>14,400,847</u>	<u>3,367,831</u>	<u>-</u>	<u>17,768,678</u>	<u>5,366,273</u>	<u>17,275</u>	<u>-</u>	<u>5,383,548</u>
Return on Endowment Made Available for Operations	<u>(2,881,532)</u>	<u>(44,488)</u>	<u>-</u>	<u>(2,926,020)</u>	<u>(1,941,794)</u>	<u>(17,275)</u>	<u>-</u>	<u>(1,959,069)</u>
Gifts and Bequests for Long-Term Purposes	<u>14,300</u>	<u>1,250,000</u>	<u>829,243</u>	<u>2,093,543</u>	<u>36,261</u>	<u>-</u>	<u>621,240</u>	<u>657,501</u>
Change in Value of Split-Interest Agreement	<u>-</u>	<u>77,154</u>	<u>-</u>	<u>77,154</u>	<u>-</u>	<u>60,062</u>	<u>-</u>	<u>60,062</u>
Other Postretirement-Related Changes Other Than Net Periodic Costs	<u>323,248</u>	<u>-</u>	<u>-</u>	<u>323,248</u>	<u>(421,266)</u>	<u>-</u>	<u>-</u>	<u>(421,266)</u>
Reclassification of Net Assets	<u>725,821</u>	<u>18,007</u>	<u>(743,828)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets Released From Restrictions for Other Than Operating Purposes (Note 10)	<u>146,034</u>	<u>(146,034)</u>	<u>-</u>	<u>-</u>	<u>932,409</u>	<u>(932,409)</u>	<u>-</u>	<u>-</u>
Change in net assets before the effect of enactment of NYPMIFA	<u>13,145,286</u>	<u>4,314,527</u>	<u>85,415</u>	<u>17,545,228</u>	<u>4,432,403</u>	<u>(472,122)</u>	<u>621,240</u>	<u>4,581,521</u>
Effect of Enactment of NYPMIFA (Note 16)	<u>(7,195,322)</u>	<u>7,195,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>5,949,964</u>	<u>11,509,849</u>	<u>85,415</u>	<u>17,545,228</u>	<u>4,432,403</u>	<u>(472,122)</u>	<u>621,240</u>	<u>4,581,521</u>
Net Assets:								
Beginning (Note 2)	<u>127,699,456</u>	<u>3,002,563</u>	<u>9,202,998</u>	<u>139,905,017</u>	<u>123,267,053</u>	<u>3,474,685</u>	<u>8,581,758</u>	<u>135,323,496</u>
Ending	<u>\$ 133,649,420</u>	<u>\$ 14,512,412</u>	<u>\$ 9,288,413</u>	<u>\$ 157,450,245</u>	<u>\$ 127,699,456</u>	<u>\$ 3,002,563</u>	<u>\$ 9,202,998</u>	<u>\$ 139,905,017</u>

See Notes to Financial Statements.

Brooklyn Law School

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ 17,545,228	\$ 4,581,521
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,387,921	5,416,640
Donated investments	(30,263)	(17,105)
Write-off of Bond C Series 2003 closing costs	-	1,314,779
Change in value of split-interest agreements	(77,154)	(60,062)
Amortization of bond premium/discount	(95,864)	(99,543)
Realized gain on sale of investments	(4,457,450)	(1,036,480)
Unrealized gain on investments	(11,651,722)	(3,185,257)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	139,321	135,834
Increase in accrued interest receivable	(30,026)	(45,586)
Decrease in loans receivable, net	943,043	454,116
Decrease in pledges receivable, net	356,455	325,635
Decrease in prepaid expenses	262,504	25,157
Decrease in accounts payable and accrued expenses	(58,100)	(529,053)
(Decrease) increase in interest payable	(42,656)	601,989
(Decrease) increase in tuition and other fees collected in advance	(281,756)	222,642
(Decrease) increase in accrued postretirement benefits payable	(169,510)	566,142
Increase in refundable loan program	30,529	47,627
Contributions restricted for long-term purposes	(934,408)	(516,075)
Net cash provided by operating activities	6,836,092	8,202,921
Cash Flows From Investing Activities:		
Purchase of investments	(59,431,122)	(127,607,883)
Proceeds from sale of investments	57,528,074	94,917,187
Purchases of property and equipment	(2,847,552)	(3,395,706)
(Increase) decrease in net assets held under charitable remainder trust agreements	(9,020)	1,611
Net cash used in investing activities	(4,759,620)	(36,084,791)
Cash Flows From Financing Activities:		
Increase in assets held by trustee under bond indenture agreement	(9,060)	(1,725,849)
Payment of bonds payable	(1,625,000)	(1,540,000)
Net proceeds from retirement of Bond C Series 2003	-	(150,000)
Proceeds from issuance of bonds	-	22,195,460
Payment of bond closing costs	-	(937,842)
Contributions restricted for long-term purposes	934,408	516,075
Net cash (used in) provided by financing activities	(699,652)	18,357,844
Net increase (decrease) in cash and cash equivalents	1,376,820	(9,524,026)
Cash and Cash Equivalents:		
Beginning	4,190,656	13,714,682
Ending	\$ 5,567,476	\$ 4,190,656
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 4,605,244	\$ 3,830,929
Supplemental Schedule of Noncash Investing Activity:		
Purchase of property and equipment included in accounts payable	\$ 342,437	\$ 576,006
Supplemental Schedule of Noncash Financing Activities:		
Proceeds from sale of BLS Bond C Series 2003	\$ -	\$ 19,850,000
Proceeds from retirement of BLS Bond C Series 2003	\$ -	\$ (20,000,000)

See Notes to Financial Statements.

Brooklyn Law School

Notes to Financial Statements

Note 1. Organization

Brooklyn Law School (the "Law School"), founded in 1901, has served as a training ground for distinguished members of the bar and bench. The Law School is an independent, nonprofit educational institution accredited by the Board of Regents of the State of New York. It is also fully accredited by the American Bar Association through the Council of its Section on Legal Education and Admission to the Bar, and is a member of the Association of American Law Schools.

The Law School is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of the Law School have been prepared on the accrual basis of accounting.

Results of Operations: The Law School reports, as results of operations, revenue and gains less expenses before gains or losses on investments and gifts and bequests restricted by donors for endowment or other long-term purposes, and before any board appropriations for specified purposes.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Law School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, excluding amounts designated by the board for endowment or held by trustee under bond indenture agreements. The Law School maintains cash in bank accounts which, at times, may exceed federally insured limits. The Law School has not experienced any losses in such accounts.

Loans Receivable: The Law School's loans are stated net of allowance for uncollectible amounts of approximately \$514,000 and \$1,007,000 as of June 30, 2011 and 2010, respectively.

Pledges Receivable: Prior to the adoption of Accounting Standards Codification ("ASC") 820, previously referred to as Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, pledges receivable were discounted at U.S. Treasury Bond rates for applicable bonds of similar maturity at the time they are received and presented at fair value, net of an estimate for uncollectible pledges. The Law School uses an estimated unsecured borrowing rate for pledges received in fiscal year 2011. The Law School evaluates pledges receivable for collectibility on a case-by-case basis.

Investments: Investments are reported at fair value. Income earned from investments is accounted for as an increase in unrestricted net assets except where use of the income earned is limited by donor-imposed restrictions and is therefore reported in the appropriate restricted class of net assets. Gains and losses on investments are reflected in unrestricted net assets unless there are explicit donor restrictions. If a restriction is met in the same period, the income is reflected as unrestricted net assets. Donated securities are recorded at fair value at the date of the gift.

Assets Held by Trustee Under Bond Indenture Agreement: Assets held by trustee include investments, comprised principally of cash and U.S. Treasury obligations, held under the bond indenture agreement relating to the Law School's insured revenue bonds.

Brooklyn Law School

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment: Property, plant and equipment is reflected at cost, net of accumulated depreciation. Depreciation is recognized over the estimated useful lives of the respective assets using the straight-line method. The Law School capitalizes all furniture purchases and building improvements over \$5,000. Computer equipment purchased is expensed in the year of purchase. Fully depreciated assets are written off in the year following the year in which they became fully depreciated. The Law School recognizes the anticipated costs of asset retirement obligations, such as the cost of asbestos removal, when it can reasonably estimate the fair value of the liability.

Tuition and Other Fees Collected in Advance: Student tuition and fees are reported as revenue when earned. Revenue and expenses of the summer session are deferred and reported within the fiscal year in which the program is predominantly conducted.

Refundable Loan Program: The portion of the Perkins Loan Fund net assets refundable to the United States government is reported as a refundable loan program liability.

Contributions and Classification of Net Assets: The Law School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Law School reports the support as unrestricted.

Income Taxes: The Law School is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Law School is subject to taxes on unrelated business income.

Fair Value Measurements: The ASC 820 standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Law School uses various methods including market, income and cost approaches. Based on these approaches, the Law School often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Law School utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities supported by observable inputs.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate significant assumptions and projections in determining the fair value assigned to such assets or liabilities.

Brooklyn Law School

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

For the year ended June 30, 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The statements of activities present investment income, consisting of interest and dividend income. Interest income is recorded on the accrual basis. Purchases and sales of securities are recorded on a trade-date basis. The fair value of stocks, bonds and Treasury Bills are based on quoted market prices.

Effective for the year ended June 30, 2011, the Law School adopted Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures About Fair Value Measurements*. This new accounting guidance under ASC 820, *Fair Value Measurements and Disclosures*, was issued by the Financial Accounting Standards Board (the "FASB") on January 21, 2010. The additional disclosures required about fair value measurements include, among other things, (a) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, (b) the gross, rather than net, basis for certain Level 3 roll-forward information, (c) use of a "class" basis rather than a "major category" basis for assets and liabilities, and (d) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. These new disclosure requirements have been adopted, except for the Level 3 roll-forward information, which is not required until the first quarter of 2011. The adoption of ASU 2010-06 did not have a material impact on the Law School's financial statements.

Endowments: The Law School is subject to FASB ASC Topic 958-205 on the recognition of endowments for not-for-profit entities. ASC Topic 958-205 provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). It also improves disclosures about the organization's endowment funds (both donor-restricted and board-designated funds), whether or not the organization is subject to UPMIFA.

Risks and Uncertainties: The Law School invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts of investments reported in the statements of financial position.

Reclassifications: During the year ended June 30, 2011, the Law School reviewed the documents related to gifts previously recorded as permanently restricted in relation to a named chair and a lecture series. As a result, \$743,828 was reclassified to be consistent with donor restrictions.

Subsequent Events: The Law School sold its residence hall property at 184 Joralemon Street on September 15, 2011 for \$10,756,000. This sale resulted in a gain of approximately \$9,000,000.

The Law School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluations are performed through the date the financial statements are issued, which was October 26, 2011 for these financial statements.

Brooklyn Law School

Notes to Financial Statements

Note 3. Pledges Receivable

Outstanding pledges receivable were as follows as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Pledges due:		
In less than one year	\$ 759,650	\$ 656,947
In one to five years	850,650	1,331,391
Allowance for uncollectible pledges	(25,300)	-
Discount on multiyear pledges receivable	(58,834)	(105,717)
	<u> </u>	<u> </u>
Pledges receivable, net	<u><u>\$ 1,526,166</u></u>	<u><u>\$ 1,882,621</u></u>

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Academic purposes	\$ 779,620	\$ 425,423
Scholarships, loans and prizes	10,140,065	84,206
Time-restricted - to be used for general purposes	1,466,605	1,470,779
Time-restricted - to be used for the residence hall	876,122	1,022,155
Purpose-restricted	1,250,000	-
	<u> </u>	<u> </u>
	<u><u>\$ 14,512,412</u></u>	<u><u>\$ 3,002,563</u></u>

Scholarships, loans and prizes includes a \$7,195,322 reclassification of accumulated gains and income from unrestricted net assets in accordance with the NYPMIFA, enacted by the State of New York on September 17, 2010 (see Note 16 for an additional disclosure).

Note 5. Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2011 and 2010, representing investments to be held in perpetuity, generate income which is available to support the following:

	<u>2011</u>	<u>2010</u>
Academic support	\$ 1,283,830	\$ 1,880,115
Scholarships, loans and prizes	8,004,583	7,322,883
	<u> </u>	<u> </u>
	<u><u>\$ 9,288,413</u></u>	<u><u>\$ 9,202,998</u></u>

Brooklyn Law School

Notes to Financial Statements

Note 6. Investments

The following table summarizes the Law School's investments as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 1,981,071	\$ 3,183,436
Limited partnerships	4,900,845	10,613,838
Debt instruments	5,042,057	20,733,945
Stocks	46,632,136	38,696,995
Exchange-traded funds	33,247,596	2,533,007
Investments, at fair value	91,803,705	75,761,221
Redemption receivable from limited partnership	2,000,000	-
	<u>\$ 93,803,705</u>	<u>\$ 75,761,221</u>

Note 7. Property, Plant and Equipment, Net

Property, plant and equipment, net, consists of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 10,568,079	\$ 10,568,079
Building and building improvements	167,527,095	165,158,496
Furniture and equipment	1,404,674	3,753,810
Art work	59,350	-
	179,559,198	179,480,385
Less accumulated depreciation	(45,326,874)	(42,710,038)
	<u>\$ 134,232,324</u>	<u>\$ 136,770,347</u>

The Law School's management has identified the existence of asbestos in certain of its buildings. On the occasion of major renovation, demolition or sale of such buildings, the Law School may incur obligations for the removal of asbestos. No liability has been recognized for the removal of asbestos in 2011 or 2010.

Note 8. Bonds Payable

On August 20, 2003, the Dormitory Authority of the State of New York ("DASNY") issued \$89,270,000 Series 2003 Bonds on behalf of the Law School. The bonds were issued in three subseries: Series 2003 A, Series 2003 B and Series 2003 C. The proceeds of the bonds have been used to finance the construction of a 21-story, 294,000-square-foot residence hall and have also been used to redeem the Law School's remaining Series 1991 Bonds.

The \$31,245,000 Series 2003 A Bonds are insured by Radian Asset Assurance Inc. and bear interest payable January 1, 2004 and semiannually thereafter on January 1 and July 1 at interest rates varying from 2.5% to 5.5%, and mature in various annual amounts from \$735,000 to \$2,795,000 through July 1, 2020. The balance outstanding for Series 2003 A as of June 30, 2011 and 2010 was \$21,125,000 and \$22,750,000, respectively.

Brooklyn Law School

Notes to Financial Statements

Note 8. Bonds Payable (Continued)

The \$38,025,000 Series 2003 B Bonds are insured by XL Capital Assurance Inc. and bear interest payable January 1, 2004 and semiannually thereafter on January 1 and July 1 at interest rates varying from 5.125% to 5.375% and mature in various annual amounts from \$2,215,000 to \$25,990,000 through July 1, 2030. No principal is required to be paid until 2020, at which time the amortization of the debt commences through 2030.

The \$20,000,000 Series 2003 C Bonds, insured by Assured Guaranty Corp., were issued as auction-rate bonds with an interest rate that resets and is payable every 35 days. The auction-rate bond market ceased functioning in February 2009, which has caused the interest rate to reset every 35 days at the default rate. The default rate is set at a multiple (150% to 300%) of the London Interbank Offered Rate ("LIBOR"). To limit interest-rate risk, the Law School purchased a portion of the Series 2003 C Bonds. At June 30, 2009, the Law School held \$19,850,000 of the Series 2003 C Bonds, which are presented as a reduction in bonds payable. In August 2009, the Series 2003 C Bonds were retired.

On July 22, 2009, DASNY issued \$22,340,000 Series 2009 Bonds on behalf of the Law School to refund the Series 2003 C Bonds. The Series 2009 Bonds bear interest payable January 1, 2010 and semiannually thereafter on January 1 and July 1 at an interest rate of 5.75% and mature in various annual amounts from \$4,205,000 to \$6,385,000 through July 1, 2033. No principal is required to be paid until 2030, at which time the amortization of the debt commences through 2033.

The Series 2003 A and B Bonds maturing after July 1, 2013 are subject to optional redemption prior to maturity on or after July 1, 2013, in any order at the option of DASNY, as a whole or in part at any time, at a price of par plus accrued interest to the redemption date. The Series 2009 Bonds are subject to optional redemption prior to maturity on or after July 1, 2019, in any order, in whole or in part at any time, at a price of par plus accrued interest to the redemption date.

In connection with the issuance of the bonds, the Law School entered into a loan agreement (the "Agreement") with DASNY to borrow an amount equal to the proceeds from the issuance of the bonds. Under the terms of the Agreement, the Law School makes monthly payments to DASNY sufficient to cover principal amortization and interest on the bond issue, the maintenance of required debt service reserve funds and payment of administrative fees, and the reimbursement of certain expenditures to DASNY. The bonds are secured by a first lien on the residence hall and a portion of tuition and fees charged to students is pledged by the Law School to meet debt service requirements. Also, the bonds require the Law School to maintain total tuition and fees at certain levels and to meet certain ratios of expendable net assets to indebtedness.

The future principal payments with respect to the above bonds as of June 30, 2011 are, approximately, as follows:

Year ending June 30,

2012	\$ 1,710,000
2013	1,920,000
2014	2,030,000
2015	2,140,000
2016	2,255,000
Thereafter	<u>71,435,000</u>
	81,490,000
Add unamortized premium	931,000
Less unamortized discount	<u>(135,000)</u>
	<u>\$ 82,286,000</u>

Brooklyn Law School

Notes to Financial Statements

Note 8. Bonds Payable (Continued)

Assets held by the trustee at June 30, 2011 represent the unspent proceeds of the Series 2003 and 2009 Bonds together with certain reserve funds required by the Agreement.

On July 1, 2011, the required principal payment of \$1,710,000 and interest was paid. The Law School incurred interest expense of approximately \$4,423,000 and \$4,433,000 for the years ended June 30, 2011 and 2010, respectively.

Note 9. Postretirement Benefits

The Law School has a plan which provides for postretirement benefits other than pensions (the "Plan"). The Plan provides certain major medical benefits for retired employees with at least 15 years of service who retire at or after age 62, as follows:

June 30,	<u>2011</u>	<u>2010</u>
Projected postretirement benefit obligation	<u>\$ 3,473,052</u>	<u>\$ 3,642,562</u>
Change in benefit obligation:		
Obligation at beginning of year	\$ 3,642,562	\$ 3,076,420
Service cost including expenses	156,122	145,896
Interest cost	181,275	179,229
Plan amendments	-	-
Actuarial (gain) loss	(437,239)	308,353
Benefit payments and expected expenses	<u>(69,668)</u>	<u>(67,336)</u>
Obligation at end of year	<u>\$ 3,473,052</u>	<u>\$ 3,642,562</u>
Change in Plan assets:		
Fair value of Plan assets at beginning of year	\$ -	\$ -
Employer contributions	69,668	67,336
Benefit payments and actual expenses	<u>(69,668)</u>	<u>(67,336)</u>
Fair value of Plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status at end of year	<u>\$ (3,473,052)</u>	<u>\$ (3,642,562)</u>
Amounts recognized in the statements of financial position consist of:		
Accrued postretirement benefits payable	<u>\$ 3,473,052</u>	<u>\$ 3,642,562</u>

(continued)

Brooklyn Law School

Notes to Financial Statements

Note 9. Postretirement Benefits (Continued)

June 30,	<u>2011</u>	<u>2010</u>
Components of net periodic benefit cost:		
Service cost	\$ 156,122	\$ 145,896
Interest cost	181,275	179,229
Amortization of prior service credit	(161,712)	(161,712)
Amortization of net loss	<u>47,721</u>	<u>48,799</u>
	<u>\$ 223,406</u>	<u>\$ 212,212</u>
Amounts not yet recognized as a component of net periodic cost	<u>\$ 1,399,153</u>	<u>\$ 1,075,905</u>

Weighted-average assumptions to determine benefit obligations for postretirement at:

	<u>2011</u>	<u>2010</u>
Discount rate used for net benefit cost	5.50%	6.00%
Discount rate used for benefit obligation	5.70	5.50

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year ending June 30,

2012	\$ 88,802
2013	106,306
2014	125,211
2015	134,081
2016	148,454
2017 - 2021	1,019,113

For measurement purposes in fiscal year 2011, the annual rate of increase in the per capita cost of covered healthcare benefits was assumed as follows:

<u>Plan Year-End</u>	<u>Trend Rate - Medical</u>	<u>Trend Rate - Medicare Supplement/ Prescription Drugs</u>	<u>Trend Rate - Dental</u>
June 30, 2011	6.90%	7.50%	5.10%
June 30, 2012	6.90%	6.50%	4.00%
June 30, 2013	6.80%	6.00%	3.50%
June 30, 2014	6.70%	5.50%	3.00%
June 30, 2015	6.30%	5.00%	2.50%
June 30, 2016+	5.80%	4.50%	2.00%

The assumed healthcare trend rate used in measuring the medical liability was 6.9% for 2011 and graded gradually down to 5.8% through 2024, then to 5.7% in 2035 and graded gradually down to 4.7% thereafter.

Brooklyn Law School

Notes to Financial Statements

Note 9. Postretirement Benefits (Continued)

The assumed healthcare trend rate used in measuring the Medicare supplement and prescription drugs liability was 7.5% for 2011 and graded gradually down to 4.5% in 2016 and thereafter.

The assumed healthcare trend rate used in measuring the dental liability was 5.1% for 2011 and graded gradually down to 2.0% in 2016 and thereafter.

Total net periodic benefit cost charged to operations for 2011 and 2010 was \$223,406 and \$212,212, respectively.

The effect of a one-percentage-point increase in the assumed healthcare cost trend rates for each future year on the accumulated postretirement benefit obligation for healthcare benefits and the aggregate of the service and interest cost components of net periodic postretirement healthcare benefit cost as of June 30, 2011 are as follows:

	<u>Accumulated Postretirement Benefit Obligation</u>	<u>Service and Interest Cost</u>
At trend	\$ 3,473,052	\$ 337,397
At trend + 1%	4,175,873	426,855
Dollar impact	702,821	89,458
Percentage impact	20.24%	26.51%
At trend - 1%	2,927,892	271,556
Dollar impact	(545,160)	(65,841)
Percentage impact	(15.70)%	(19.51)%

The Law School contributes to the Teachers Insurance and Annuity Association of America (the "TIAA Plan") an amount equal to 12.5% of the base salaries of academic and nonacademic personnel who have completed two years of service. The TIAA Plan provides for immediate and full vesting of the contributions which, for the years ended June 30, 2011 and 2010, were approximately \$2,417,000 and \$2,330,000, respectively.

Note 10. Net Assets Released From Restrictions

Net assets released from donor restrictions for operating and nonoperating purposes during the years ended June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
<u>Operating</u>		
Program restrictions:		
Academic support, scholarships, loans and prizes	\$ 207,036	\$ 180,133
Time restrictions	<u>186,702</u>	<u>125,834</u>
Subtotal - operating	393,738	305,967
<u>Nonoperating</u>		
Time restrictions - Feil Hall	<u>146,034</u>	<u>932,409</u>
	<u>\$ 539,772</u>	<u>\$ 1,238,376</u>

Brooklyn Law School

Notes to Financial Statements

Note 11. Income Taxes

The Law School files tax and information returns with the Internal Revenue Service and with New York State. Tax years subsequent to 2006 remain subject to examination by taxing authorities.

Management evaluated the Law School's tax positions and concluded that the Law School had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Law School is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2007, which is the standard statute of limitations look-back period.

At June 30, 2011, the Law School has no unrecognized tax benefits and has recognized no interest or penalties related to taxes during either of the years ended June 30, 2011 and 2010.

Note 12. Net Assets Held Under Charitable Remainder Trust Agreements

The Law School is the remainder beneficiary of a charitable remainder annuity trust that holds property in Brooklyn, New York. The instrument provides that, for their lifetime, the trust will distribute \$70,000 per calendar year to the beneficiary. The Law School is the remainder beneficiary for income and will receive the assets of the trust upon termination.

The Law School is the remainder beneficiary of a charitable remainder unitrust established in November 1999. The trust instrument provides that, for their lifetime, the beneficiary will receive quarterly distributions of 8% of the fair value of the trust assets as of the beginning of the calendar year.

Note 13. Self-Insurance Arrangements

The Law School entered into agreements with various other New York State college and university organizations to pool the costs related to workers' compensation benefits effective September 1, 1996. Under the terms of a participation agreement, each member is jointly and severally liable for the workers' compensation and obligations of The New York College & University Risk Management Group (the "Group"), irrespective of the subsequent termination of the membership in the Group, the insolvency or bankruptcy of another member in the Group, or other facts or circumstances.

Contributions to the Group are based upon the actual payroll of each Group member and adjusted for loss experience based upon a loss experience of New York State private carriers.

The Group entered into an excess premium insurance agreement covering all individual claims with a loss value in excess of \$750,000. Under the Group's by-laws, all claims with a total loss value under the greater of \$25,000 or 8% of standard contributions are the responsibility of the individual member. Group members are partially responsible for any claims which are greater than \$750,000 under a claim-sharing formula.

During the years ended June 30, 2011 and 2010, the Law School contributed approximately \$155,000 and \$177,000, respectively, to the Group.

Brooklyn Law School

Notes to Financial Statements

Note 14. Fair Value of Financial Instruments

The following table presents the Law School's fair value hierarchy for those investments and financial instruments measured at fair value on a recurring basis as of June 30, 2011:

Description	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash in Investment Accounts	\$ 579,296	\$ 579,296	\$ -	\$ -
Money Market Funds	1,401,775	1,401,775	-	-
Limited Partnerships:				
Diversified hedge funds	668,773	-	147,330	521,443
Private equity funds	800,346	-	-	800,346
Mortgage-backed securities fund	3,431,725	-	3,431,725	-
Total - limited partnerships	4,900,844	-	3,579,055	1,321,789
Debt Instruments:				
Bond funds	4,767,368	4,767,368	-	-
Government	274,689	-	274,689	-
Total - debt instruments	5,042,057	4,767,368	274,689	-
Stocks:				
U.S. large-cap	30,190,955	30,190,955	-	-
U.S. mid-cap	8,022,994	8,022,994	-	-
International equity	8,418,187	8,418,187	-	-
Total - stocks	46,632,136	46,632,136	-	-
Exchange-Traded Funds:				
Bond funds	8,184,170	8,184,170	-	-
U.S. large-cap	14,818,802	14,818,802	-	-
International equity	6,531,754	6,531,754	-	-
Commodities	3,712,870	3,712,870	-	-
Total - exchange-traded funds	33,247,596	33,247,596	-	-
Subtotal - investments	91,803,704	86,628,171	3,853,744	1,321,789
Money Market Funds	3,941,354	3,941,354	-	-
U.S. Treasury Bills	7,237,275	-	7,237,275	-
Subtotal - assets held by trustee	11,178,629	3,941,354	7,237,275	-
Total	\$ 102,982,333	\$ 90,569,525	\$ 11,091,019	\$ 1,321,789

Brooklyn Law School

Notes to Financial Statements

Note 14. Fair Value of Financial Instruments (Continued)

The following table presents the Law School's fair value hierarchy for those investments and financial instruments measured at fair value on a recurring basis as of June 30, 2010:

Description	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash in Investment Accounts	\$ 100,261	\$ 100,261	\$ -	\$ -
Money Market Funds	3,083,175	3,083,175	-	-
Limited Partnerships:				
Diversified hedge funds	846,785	-	147,330	699,455
Private equity funds	849,031	-	-	849,031
Mortgage-backed securities fund	8,918,022	-	8,918,022	-
Total - limited partnerships	10,613,838	-	9,065,352	1,548,486
Debt Instruments:				
Bond funds	7,431,971	7,431,971	-	-
Corporate	211,246	211,246	-	-
Government	11,623,715	3,548,049	8,075,666	-
Mortgage-backed	1,467,013	1,467,013	-	-
Total - debt instruments	20,733,945	12,658,279	8,075,666	-
Stocks:				
U.S. large-cap	24,052,385	24,052,385	-	-
U.S. mid-cap	5,282,396	5,282,396	-	-
International equity	9,362,214	9,362,214	-	-
Exchange-traded funds	2,533,007	2,533,007	-	-
Total - stocks	41,230,002	41,230,002	-	-
Subtotal - investments	75,761,221	57,071,717	17,141,018	1,548,486
Money Market Funds	3,870,772	3,870,772	-	-
U.S. Treasury Bills	7,298,797	-	7,298,797	-
Subtotal - assets held by trustee	11,169,569	3,870,772	7,298,797	-
Total	\$ 86,930,790	\$ 60,942,489	\$ 24,439,815	\$ 1,548,486

Brooklyn Law School

Notes to Financial Statements

Note 14. Fair Value of Financial Instruments (Continued)

The following table summarizes the investment strategies and liquidity provisions of the limited partnership investments held as of June 30, 2011:

Alternative Investment	Fair Value as of 6/30/11	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Diversified Hedge Funds ^(a)	\$ 668,773	\$ -	N/A	N/A
Private Equity Funds ^(b)	800,346	5,000	N/A	N/A
Mortgage-Backed Securities Fund ^(c)	3,431,725	-	Monthly	30 days

(a) This category consists of two funds. One of the funds is valued at \$147,330 and the Law School submitted a redemption notice in March 2010. Payment of the \$147,330 will be received upon completion of their audit. The other fund is valued at \$521,443 and the Law School submitted a redemption notice in March 2009. The fund is paying redemptions as its investments are liquidated.

(b) This includes two private equity funds with investments in the medical and dental devices segment of the orthopedics industry. These investments can never be redeemed. Distributions are expected when the underlying assets are liquidated.

(c) This fund is an absolute return-oriented bond portfolio that invests in U.S. government-related securities, with a particular focus on agency mortgage-backed securities ("MBS").

Financial instruments classified as Level 3 in the fair value hierarchy represent the Law School's investments in financial instruments in which the Law School's management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments:

	2011	2010
Balance, July 1	\$ 1,548,486	\$ 2,182,190
Change in unrealized depreciation of investments	(36,770)	(183,187)
Realized gain	-	109,277
Capital contributions	30,000	15,000
Return on capital investment	29	(465,517)
Capital gain distribution	-	(109,277)
Redemption payments	(219,956)	-
Balance, June 30	\$ 1,321,789	\$ 1,548,486

Change in unrealized depreciation included in return on endowment made for operations attributable to Level 3 investments held as of June 30, 2011 and 2010 is \$36,770 and \$183,187, respectively.

Brooklyn Law School

Notes to Financial Statements

Note 14. Fair Value of Financial Instruments (Continued)

The fair value of money market funds, mutual funds and limited partnerships are based on the net asset value invested by the investment manager.

The fair value of stocks, bonds and Treasury Bills are based on quoted market prices.

The fair value of the other financial instruments at June 30, 2011 is as follows:

The fair value of the loans receivable and pledges receivable approximates the carrying amount which is net realizable value.

The fair value of the Law School's long-term debt is estimated based on the quoted market prices for the same or similar issues of debt of the same remaining maturities. As of June 30, 2011 and 2010, the fair value of the bonds payable was approximately \$83,836,000 and \$88,103,000, respectively.

The fair value of the split-interest agreements approximates the carrying value.

Note 15. Functional Allocation of Expenses

Expenses by function, after allocation of interest, operations, depreciation and amortization, and fringe benefits are as follows:

	<u>2011</u>	<u>2010</u>
Instruction	\$ 21,581,812	\$ 22,541,192
Academic support	6,550,060	6,550,071
Student services	7,581,803	7,754,133
Institutional support	13,856,371	14,095,678
Student aid	1,602,282	1,499,031
Housing expense	7,168,593	7,105,972
	<u>\$ 58,340,921</u>	<u>\$ 59,546,077</u>

Note 16. Endowment

The Law School's endowment consists of approximately 230 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of New York adopted a version of UPMIFA effective September 17, 2010 ("NYPMIFA"). The Law School is subject to the New York Not-for-Profit Corporation Law. The board of trustees has determined that when the Law School receives a contribution and the donor restricts the Law School from spending the principal, New York law requires the Law School to maintain the original historical dollar value of the contribution received as an endowment. Such amount is recorded as permanently restricted and investment return is recorded as temporarily restricted or unrestricted based on the purpose for which the endowment was created. During the year ended June 30, 2011, the Law School reclassified accumulated gains and income related to permanently and temporarily restricted funds of \$7,195,322 from unrestricted net assets to temporarily restricted net assets as a result of the enactment of NYPMIFA.

Brooklyn Law School**Notes to Financial Statements**

Note 16. Endowment (Continued)

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (15,163)	\$ 12,004,421	\$ 9,288,413	\$ 21,277,671
Board-restricted endowment funds	<u>72,526,033</u>	<u>-</u>	<u>-</u>	<u>72,526,033</u>
Total funds	<u>\$ 72,510,870</u>	<u>\$ 12,004,421</u>	<u>\$ 9,288,413</u>	<u>\$ 93,803,704</u>

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (101,829)	\$ 50,874	\$ 9,097,833	\$ 9,046,878
Board-restricted endowment funds	<u>65,450,372</u>	<u>-</u>	<u>-</u>	<u>65,450,372</u>
Total funds	<u>\$ 65,348,543</u>	<u>\$ 50,874</u>	<u>\$ 9,097,833</u>	<u>\$ 74,497,250</u>

Brooklyn Law School

Notes to Financial Statements

Note 16. Endowment (Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2010 and 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2009	\$ 49,614,757	\$ 40,205	\$ 8,581,758	\$ 58,236,720
Investment Return:				
Investment income	1,144,536	17,275	-	1,161,811
Net gain (realized and unrealized)	4,221,737	-	-	4,221,737
Total investment return	5,366,273	17,275	-	5,383,548
Contributions	4,003,105	10,669	516,075	4,529,849
Appropriation of endowment assets for expenditure	(1,941,794)	(17,275)	-	(1,959,069)
Other Changes:				
Board designation of contribution to endowment	8,306,202	-	-	8,306,202
Subtotal	10,367,513	(6,606)	516,075	10,876,982
Endowment net assets, June 30, 2010	65,348,543	50,874	9,097,833	74,497,250
Investment Return:				
Investment income	1,322,372	337,135	-	1,659,507
Net gain (realized and unrealized)	13,078,476	3,030,696	-	16,109,172
Total investment return	14,400,848	3,367,831	-	17,768,679
Contributions	2,112,512	1,416,875	934,408	4,463,795
Appropriation of endowment assets for expenditure	(2,881,532)	(44,488)	-	(2,926,020)
Other Changes:				
Reclassification of net assets	725,821	18,007	(743,828)	-
Effect of enactment of NYPMIFA	(7,195,322)	7,195,322	-	-
Subtotal	(7,238,521)	8,585,716	190,580	1,537,775
Endowment net assets, June 30, 2011	\$ 72,510,870	\$ 12,004,421	\$ 9,288,413	\$ 93,803,704

Brooklyn Law School

Notes to Financial Statements

Note 16. Endowment (Continued)

Return Objectives and Risk Parameters: The Law School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Law School must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the overriding objective is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Law School's investment horizon.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Law School has a policy of appropriating for distribution each year 4.5% of its donor-restricted endowment funds' average fair value over the prior three years preceding the fiscal year in which the distribution is made. In establishing this policy, the Law School considered the long-term expected return on its endowment. Accordingly, over the long term, the Law School expects the current spending policy to allow its donor-restricted endowment to grow at the rate of inflation. This is consistent with the Law School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Investment income on board-designated endowment funds is appropriated as needed.

During fiscal year 2011, the fair value of assets associated with individual donor-restricted endowment funds fell below the level that the donor requires to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$15,163 and \$101,829 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from the decline in market values of investment portfolios.

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**SUMMARY OF CERTAIN PROVISIONS
OF THE LOAN AGREEMENT**

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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

Construction of the Project

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

(Section 5)

Amendment of the Project

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

(Section 6)

Financial Obligations

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

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

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

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(iii) Five business Days prior to an interest payment date on Outstanding Variable Interest Rate Bonds, the interest coming due on such Variable Interest Rate Bonds on such interest payment date, assuming that such Bonds will, from and after the next succeeding date on which the rates at which such Bonds bear interest are to be determined, bear interest at a rate per annum equal to the rate per annum for such Bonds on the immediately preceding Business Day, plus one percent (1%) per annum;

(iv) On the tenth (10th) day of each month commencing on the tenth (10th) day of the sixth (6th) month immediately preceding the date on which interest on Outstanding Bonds that are not Variable Interest Rate Bonds becomes due, one-sixth (1/6) of the interest coming due on such Bonds on the immediately succeeding interest payment date on such Bonds; **provided, however**, that, if with respect to such Outstanding Bonds there are more or less than six (6) such payment dates prior to the first interest payment on such Bonds, on each payment date prior to such interest payment date the Institution shall pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on such Bonds;

(v) On the tenth (10th) day of each month commencing on the tenth (10th) day of the July immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Outstanding Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installment on such Bonds coming due on such July 1; **provided, however**, that, if with respect to the Outstanding Bonds there are less than twelve (12) such payment dates prior to the July 1 on which principal or Sinking Fund Installments come due on such Bonds, on each payment date prior to such July 1 the Institution shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments of such Bonds coming due on such July 1 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such July 1; **provided, however**, with respect to Sinking Fund Installments of Option Bonds or Variable Interest Rate Bonds that come due in months other than July, the terms of this subsection shall apply except that references to July shall be replaced with the applicable month(s) in which the related Sinking Fund Installment comes due;

(vi) Except as provided below, by 1:30 p.m., New York City time, on the day on which payment of the purchase price of an Option Bond tendered for purchase which has not been remarketed or remarketed at less than the principal amount thereof and for which there is no Liquidity Facility then in effect, is due, the purchase price of such Option Bond, which shall be paid in immediately available funds; **provided, however**, that (A) if the Institution has received notice that such payment is due after 10:00 a.m., New York City time, but prior to 3:00 p.m., New York City time, on such day, then payment by the Institution shall be made by 5:00 p.m., New York City time on such day, and (B) if such notice is given after 3:00 p.m., New York City time, on such day, then payment by the Institution shall be made by 10:00 a.m. on the next succeeding Business Day;

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

(viii) On December 10 of each Bond Year one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with the Bonds, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year; **provided, however**, that the Annual Administrative Fee with respect to the Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to such Bonds multiplied by a fraction the numerator of which is

the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

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

(x) Promptly upon demand by the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the provisions of the Loan Agreement summarized under the heading "**Defaults and Remedies**" below;

(xi) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds or otherwise available therefor under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds, and any fees or expenses incurred by the Authority in connection therewith including those of any rebate analyst or consultant engaged by the Authority; and

(xii) Promptly upon demand by the Authority, all amounts required to be paid by the Authority to a Counterparty in accordance with an Interest Rate Exchange Agreement or to reimburse the Authority for any amounts paid to a Counterparty in accordance with an Interest Rate Exchange Agreement; and

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

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

(b) Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph), all moneys paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and,

Appendix C

then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the provisions of the Resolution summarized in Appendix D under the heading "Defeasance." Except as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Bonds.

(c) The obligations of the Institution 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 Institution may otherwise have against the Authority, the Trustee or any Holder of Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution to complete the Project or the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds are or the Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; **provided, however**, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part contained in the Loan Agreement or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institution 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 Institution for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for such Project available therefor.

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

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

(e) The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the provisions of the Loan Agreement which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under the provisions of the Loan Agreement summarized under the heading "**Defaults and Remedies**" below arising out of the Institution'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 Institution to make such payment.

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

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

(Section 9)

Security Interest in Pledged Revenues

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

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

(Section 11)

Collection of Pledged Revenues

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

Notwithstanding anything to the contrary in the provisions of the Loan Agreement summarized in the preceding paragraph, in the event that, on or prior to the date on which a payment is to be made pursuant to the Loan Agreement on account of the principal, Sinking Fund Installments or Redemption Price of or interest on Outstanding Bonds, the Institution has made such payment from its general funds or from any other money legally available to it

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for such purpose, the Institution shall not be required solely by virtue of the provisions of the Loan Agreement summarized in the preceding paragraph, to deliver Pledged Revenues to the Trustee.

Any Pledged Revenues collected by the Institution 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 Institution for any of its corporate purposes provided that no Event of Default (as defined in the Loan Agreement) nor any event which but for the passage of time or the receipt of notice or both would be an Event of Default has occurred and is continuing.

(Section 12)

Mortgages; Lien on Fixtures, Furnishings and Equipment

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

(Section 13)

Warranty of Title; Utilities and Access

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

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

(Section 14)

Additional Representation and Covenants

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

judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

The Institution warrants, represents and covenants (i) that the Pledged Revenues are and will be free and clear of any pledge, lien, charge, security interest or encumbrance thereon or with respect thereto, other than the Parity Pledges, prior to, or of equal rank with, the pledge thereof made pursuant to the Loan Agreement and (ii) that all corporate action on the part of the Institution to authorize the pledge thereof and the granting of a security interest therein has been duly and validly taken. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect such pledge and security interest and all of the rights of the Authority and the Holders of Bonds under the Loan Agreement against all claims and demands of all persons whomsoever.

(Section 16)

Tax-Exempt Status of Institution

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

(Section 17)

Securities Acts Status

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

(Section 18)

Maintenance of Corporate Existence

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

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provisions, no disposition, transfer, consolidation or merger otherwise permitted by the Loan Agreement shall be permitted unless (1) the same would not in the opinion of Bond Counsel adversely affect the exclusion of interest on any Bond from gross income for purposes of federal income taxation, (2) the Institution will not as a result thereof be in default under the Loan Agreement or under any Related Agreement, (3) the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State and is qualified as an organization described in Section 501(c)(3) of the Code or any successor provision of federal income tax law, and (4) the surviving, resulting or transferee corporation of the Institution assumes in writing all of the obligations of the Institution under the Loan Agreement, under the Continuing Disclosure Agreement, the Mortgage and under the Related Agreements and furnishes to the Authority (x) a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation will be in compliance with each of the provisions of the Loan Agreement and of the Related Agreements, and will meet the requirements of the Act, and (y) such other certificates and documents as the Authority may reasonably require to establish compliance with the Loan Agreement.

(Section 19)

Environmental Quality Review and Historic Preservation

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

(Section 20)

Use and Possession of the Project

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

(Section 21)

Sale of the Project

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

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

(Section 23)

Maintenance, Repair and Replacement

The Institution agrees that, throughout the term of the Loan Agreement, it shall, at its own expense, hold, operate and maintain the Project and any Mortgaged Property in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and safe condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted. The Institution shall give the Authority not less than fifteen (15) days prior written notice of its intention to make a change or alteration that materially alters the scope or nature of the Project or any Mortgaged Property or a portion thereof. The Institution shall have the right to remove or replace any type of fixtures, furnishings and equipment in the Project or the Mortgaged Property which may have been financed by the proceeds of the sale of Bonds provided the Institution substitutes for any such removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced.

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

(Section 24)

Covenant as to Insurance

The Institution agrees to maintain or cause to be maintained insurance with insurance companies or by means or self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by private colleges and universities located in the State of a nature similar to that of the Institution, 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 Institution shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

(Section 25)

Damage or Condemnation

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

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

(ii) If no agreement for the repair, restoration or replacement of the property or affected portion shall have been reached by the Authority and the Institution within such period,

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the proceeds then held by the Institution shall be paid the Trustee for deposit in the Debt Service Fund and the proceeds then held in the Construction Fund shall be transferred to the Debt Service Fund, whereupon such proceeds shall be applied to the purchase or redemption of Outstanding Bonds.

(Section 26)

Taxes and Assessments

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

(Section 27)

Defaults and Remedies

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

(i) the Institution shall (A) default in the timely payment of any amount payable pursuant to the Loan Agreement (other than as described in subsection (B) below) or the payment of any other amounts required to be delivered or paid by or on behalf of the Institution in accordance with the Loan Agreement or with the Resolution or the Series Resolution, and such default continues for a period in excess of seven (7) days or (B) default in the timely payment of interest payable on Outstanding Variable Interest Rate Bonds or the purchase price of Option Bonds tendered for purchase, or in any event fail to provide amounts sufficient to pay the principal, Sinking Fund Installment, or Redemption Price, if any, of, and interest on, the Bonds, on the dates, in the amounts, at the times and in the manner provided in or pursuant to the Bond Resolution, whether at maturity, upon acceleration, redemption or otherwise in accordance with the terms of the Loan Agreement; or

(ii) the Institution defaults in the due and punctual performance of any other covenant contained in the Loan Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Institution by the Authority or the Trustee or, if such default is not capable of being cured within thirty (30) days, the Institution fails to commence within said thirty (30) days to cure the same and to diligently prosecute the cure thereof; or

(iii) as a result of any default in payment or performance required of the Institution under the Loan Agreement or any other Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an "event of default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof; or

(iv) the Institution shall (A) be generally not paying its debts as they become due, (B) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (C) make a general assignment for the benefit of its general creditors, (D) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing; or

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

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

(vii) a petition to dissolve the Institution shall be filed by the Institution 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 Institution; or

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

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

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

(xi) a final judgment for the payment of money, at least one million dollars (\$1,000,000) of which is not covered by insurance or reserves set aside by the Institution, which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against the Institution and at any time after forty-five (45) days from the entry thereof, (A) such judgment shall not have been discharged or paid, or (B) the Institution 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;

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- (xii) the occurrence and continuance of an event of default under a Mortgage; or
- (xiii) the occurrence and continuance of an event of default relating to any Parity Indebtedness.

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

- (i) declare all sums payable by the Institution under the Loan Agreement immediately due and payable;
- (ii) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or the Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;
- (iii) withhold any or all further performance under the Loan Agreement;
- (iv) maintain an action against the Institution under the Loan Agreement to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Mortgage;
- (v) realize upon any pledge of or security interest in the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement, by any one or more of the following actions: (A) enter the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of the Institution 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 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 Institution five (5) days prior to mailing or otherwise making such notification to account debtors and (3) until the Institution 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 Institution's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority; **provided, however**, that (1) the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the Institution 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 Institution when all Events of Default under the Loan Agreement by the Institution have been cured; (E) forbid the Institution 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 Institution any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

(vi) to the extent permitted by law, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being by the Loan Agreement given by the Institution, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institution 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 Institution, whether or not previously incorporated into the construction of the Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions summarized in this subparagraph (vi), (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions summarized in this subparagraph (vi) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution 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 Institution for the purpose of exercising the rights granted to the Authority by provisions summarized in this subparagraph (vi) during the term of the Loan Agreement;

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

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

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

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

(Section 31)

Investment of Moneys

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

(Section 33)

Limitation on Agreements

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

(Section 35)

Arbitrage; Tax Exemption

Each of the Institution and the Authority covenants that it shall take no action, nor shall it approve the Trustee's taking any action or making any investment or use of the proceeds of the Bonds, which would cause the 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. Neither the Institution (nor any "related person", as such term is defined for purposes of Section 148 of the Code) shall purchase 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 Institution 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 such Bonds for purpose of federal income taxation.

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

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 Institution. In the event that the Institution 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 Institution and the Authority shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

(Section 36)

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 the Bonds of a certificate of an Authorized Officer of the Institution acceptable to the Authority to the effect that the representations and warranties contained in the Loan Agreement are true and correct and in full force and effect on and as of the date of delivery of the Bonds as if made on the date of delivery of the Bonds.

(Section 40)

Further Assurances

The Institution, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as are necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Pledged Revenues, moneys, securities, funds and security interests by the Loan Agreement or by the Resolution pledged, assigned or granted, or intended so to be, or which the Institution may after the date of the Loan Agreement become bound to pledge, assign or grant to the Authority pursuant to the Loan Agreement.

(Section 43)

Amendments to Loan Agreement

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

(Section 44)

Termination

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

(Section 45)

Maintenance Covenants

A. Debt Service Coverage Ratio Covenant

(i) **The Debt Service Coverage Ratio Requirement.** The Institution 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.

(ii) **Reporting Requirement.** On or prior to each Reporting Date, the Institution shall file with the Authority a certificate of an Authorized Officer of the Institution 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.

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(iii) Remedies. If (a) on two consecutive Testing Dates the Institution does not satisfy the Debt Service Coverage Ratio requirement, or (b) on any Testing Date the Debt Service Coverage Ratio falls below 1:1, the Authority may require the Institution to retain a Management Consultant.

B. Available Assets to Debt Ratio Covenant

(i) The Available Assets to Debt Ratio Requirement. The Institution covenants to have available on each Testing Date, Available Assets at least equal to: 60% of the Institution's Long-Term Indebtedness as of the Testing Date for the Institution's Fiscal Years ending in 2012 through 2013; and 75% of the Institution's Long-Term Indebtedness as of the Testing Date for the Institution's Fiscal Years ending in 2014 and thereafter.

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

(iii) Remedies. If on any Testing Date the Institution does not satisfy the Available Assets to Debt Ratio requirement, the Authority may require the Institution to retain a Management Consultant.

C. Liquid Balances Covenant.

(i) The Liquid Balances Requirement. The Institution covenants to at all times maintain in its accounts a balance of unrestricted cash, cash equivalents and marketable securities which can be liquidated in 30 days or less with a market value at least equal to the interest payable on the Bonds on the next succeeding interest payment date and one-half of the principal and sinking fund installments due on the next succeeding July 1st.

(ii) Reporting Requirement. The Institution shall file semi-annually with the Authority a certificate of an Authorized Officer of the Institution stating whether it is in compliance with the Liquid Balances Requirements and provide the market value of unrestricted cash, cash equivalents and (if necessary to demonstrate that the requirement has been met) marketable securities which can be liquidated in 30 days or less, as follows: for the testing date that occurs on the last day of the second quarter of the Fiscal Year, within 30 days after such testing date; for the testing date that occurs on the last day of the Fiscal year, within 120 days after such testing date.

(iii) Remedies. If on any testing date the Institution does not satisfy the Liquid Balances Requirement, the Authority may require the Institution to retain a Management Consultant.

(Section 2 of Schedule D)

Management Consultant Call-In

A. Optional Management Consultant Call-In. If the Authority elects to require the Institution to retain the services of a Management Consultant in accordance with Section 2A(iii), 2B(iii) or 2C(iii) of Schedule D to the Loan Agreement, then the Authority shall, at its election which shall be exercised in writing within sixty (60) days of notice of the applicable covenant failure, request the Institution to engage, at the Institution's expense, a Management Consultant to review the fees and tuition, operations and management of the Institution and/or 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 Institution to comply with such covenants within a reasonable period. The Institution shall engage a Management Consultant within sixty (60) days of such request by the Authority.

B. Compliance With Recommendations. Whenever a Management Consultant is required to be engaged by the Institution pursuant to Schedule D to the Loan Agreement, copies of the report and recommendations of such Management Consultant shall be filed with the Authority, the Trustee, the Board of Trustees of the Institution and an Authorized Officer of the Institution no later than one hundred twenty (120) days following the date of the engagement of such Management Consultant. The Institution shall, to the extent feasible, promptly upon its receipt

of such recommendations, and subject to applicable requirements or restrictions imposed by law or regulation, revise its tuition, fees and charges, its methods of operation or collections of its debt and investment management and shall take such other action as shall be in conformity with such recommendations. The Institution shall deliver to the Authority and the Trustee within forty-five (45) days of receipt of such Management Consultant's report; (A) a report setting forth in reasonable detail the steps the Institution 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 Institution accepting both the Management Consultant's report and the report prepared by the Institution as required in clause (A) hereof; and, subsequently, (C) quarterly reports demonstrating the progress made by the Institution in implementing the recommendations of the Management Consultant.

If the Institution complies in all material respects with the reasonable recommendations of the Management Consultant, the Institution will be deemed to have complied with the covenants contained in Section 2 of Schedule D to the Loan Agreement for the Institution's Fiscal Year in which the Management Consultant's report is delivered.

(Section 3 of Schedule D)

Additional Indebtedness

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

A. Long-Term Indebtedness

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

For purposes of calculating the Debt Service Coverage Ratio for such pro forma calculations, Annual Debt Service shall 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 an annual rate equal to 120% of the weighted average annual interest rate borne by such Indebtedness over the 24-month period ending on the date of calculation (or with respect to such Long-Term Indebtedness issued during such 24-month period, 120% of the average of the most recent 24-month Bond Buyer 25 Revenue Bond Index). The principal of Balloon Indebtedness will be deemed to mature in equal annual installments over a term equal to the lesser of 20 years or the actual term of such Indebtedness. In the event the project to be financed with such additional Long-Term Indebtedness is reasonably 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.

B. Refunding Debt

The Institution may issue, incur, assume or guarantee Refunding Debt without the consent of the Authority or compliance with the requirements of paragraph A of Section 4 of Schedule D to the Loan Agreement summarized herein provided that, after giving effect to such Refunding Debt, the Annual Debt Service on the Institution's Long-Term Indebtedness will not be greater in any Fiscal Year as established by a certificate or report to that effect of an independent certified accountant delivered to the Authority on or prior to the date such Refunding Debt is issued, incurred, assumed or guaranteed.

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C. Non-Recourse Indebtedness

Notwithstanding the foregoing, the Institution may issue Non-Recourse Indebtedness without the Authority's consent provided that the property securing such Non-Recourse Indebtedness was acquired by the Institution after the issuance of the Bonds.

D. Short-Term Indebtedness

The Institution 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 may be consented to by the Authority.

E. Parity Indebtedness

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

(Section 4 of Schedule D)

**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Resolution and Bonds Constitute a Contract

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

(Section 1.03)

Assignment of Certain Rights and Remedies to the Trustee

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

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

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

(Section 1.04)

Additional Obligations

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

(Section 2.05)

Redemption of Bonds

Authorization of Redemption

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

(Section 4.01)

Redemption at the Election or Direction of the Authority

In the case of any redemption of Bonds of a Series other than as summarized in the following paragraph, the Authority shall give written notice to the Trustee, and each applicable Provider of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each maturity of such Series and Sub-Series to be redeemed. The Series, Sub-Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Authority shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate. Such notice shall be given to the Trustee, and each applicable Provider at least forty-five (45) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. Unless the notice of redemption required by the Resolution provides that the redemption is subject to the condition that money for payment of the Redemption Price is available on the redemption date, such notice shall not be given unless prior to the date such notice is to be given the Authority shall have paid or caused to

be paid to the Trustee an amount which, in addition to other amounts available therefor held by the Trustee, is sufficient to redeem, on the redemption dates at the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, all of the Bonds of such Series to be so redeemed.

(Section 4.02)

Redemption Other Than at Authority's Election or Direction

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

(Section 4.03)

Selection of Bonds to Be Redeemed

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

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

(Section 4.04)

Notice of Redemption

Whenever Bonds of a Series are to be redeemed, the Trustee shall give notice of the redemption of such Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed which shall be identified in accordance with the Resolution, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) the principal amount of each Bond to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book-Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the

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address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on such Bond or as contained in such notice shall not affect the validity of the proceedings for redemption; and (ix) if the Authority's obligation to redeem the Bonds is subject to one or more conditions, a statement that describes the conditions to such redemption. Any notice of redemption, other than a notice for special or extraordinary redemption provided for in a Series Resolution or Bond Series Certificate, may state that the redemption is conditioned upon receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of the Bonds to be redeemed, and that if such moneys are not received such notice shall be of no force or effect and such Bonds shall not be required to be redeemed.

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

In addition, unless otherwise provided for in the Series Resolution with respect to a Series of Bonds, the Trustee shall (i) if any of the Bonds to be redeemed are Book Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book Entry Bonds not less than thirty-five (35) days prior to the redemption date, but, if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the date of publication, and (ii) mail a copy of the notice of redemption to Kenny Information Systems Notification Service and to Standard & Poor's Called Bond Record, or to any successor thereof, in each case at the most recent address therefor. Such copies shall be sent by certified mail, return receipt requested, but mailing such copies shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copies were mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Bonds.

(Section 4.05)

Payment of Redeemed Bonds

Notice having been given by mail in the manner provided in the Resolution, the Bonds of a Series or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds of like Series, Sub-Series, maturity and tenor to be redeemed in part, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such

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

(Section 4.06)

Purchase of Purchased Bonds

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

Pledge of Resolution; Funds and Accounts

Pledge of Resolution

The proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues, if any, and, except as otherwise provided in Section 5.02 of the Resolution, all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, are by the Resolution, subject to the adoption of a Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal and Redemption Price of and interest on such Series of Bonds, all in accordance with the Resolution and the Series Resolution. The pledge made by the Resolution shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues, if any, and all funds and accounts established by the Resolution and by a Series

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Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues, if any, and the funds and accounts established by the Resolution and pursuant to a Series Resolution and which are pledged by the Resolution as provided in the Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds and Accounts

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

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

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

(Section 5.02)

Application of Moneys in the Construction Fund

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

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

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the money, if any, then remaining in the Construction Fund relating to such Project, after making provision in accordance with the direction

of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of such Project then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

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

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

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

(Section 5.04)

Deposit of Revenues and Allocation Thereof

The Revenues and any other moneys, which, by any of the provisions of the Loan Agreement, are required to be paid to the Trustee, shall upon receipt thereof be deposited or paid by the Trustees 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 December 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds of a Series payable on or prior to the next succeeding January 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond of a Series on and prior to the next succeeding January 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, (b) the Sinking Fund Installments of Outstanding Option Bonds of a Series and Variable Interest Rate Bonds of a Series payable on or prior to the next succeeding January 1 and (c) the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption pursuant to the Resolution, on or prior to the next succeeding January 1, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond on and prior to the next succeeding July 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum and (b) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the Resolution on or prior to the next succeeding July 1, plus accrued interest thereon to the date of purchase or redemption;

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

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

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

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

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

(Section 5.05)

Debt Service Fund

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

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

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

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

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

(b) In the event that on the fourth Business Day preceding any interest payment date the amount in the Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds, for the payment of principal of such Outstanding Bonds of a Series, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the applicable Debt Service Reserve Fund and deposit to the Debt Service Fund, if any, and deposit to the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee shall notify the Authority, each Facility Provider and the Institution of a withdrawal from the Debt Service Reserve Fund.

(c) Notwithstanding the provisions of paragraph (a) of the Resolution, the Authority may, at any time subsequent to the first day of July of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with money on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of a Series to be redeemed from such Sinking Fund Installment. In addition, the Institution pursuant to the Loan Agreement may deliver, at any time subsequent to July 1 of any Bond Year, but in

no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, to the Trustee for cancellation one or more Term Bonds of the Series and maturity to be so redeemed on such date from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond so delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; **provided, however**, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

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

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

(Section 5.06)

Debt Service Reserve Fund

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

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

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

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

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

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

(d) Subject to the limitation described in the definition of Debt Service Reserve Fund Requirement, if upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund are less than the applicable Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Institution of such deficiency and the Institution shall, as soon as practicable, but in no event later than fifteen (15) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, Exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If the Institution has not made timely payment, the Trustee shall immediately notify the Authority of such non-payment.

(Section 5.07)

Arbitrage Rebate Fund

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

Money on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the

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

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

(Section 5.08)

Application of Money in Certain Funds for Retirement of Bonds

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

(Section 5.09)

Transfer of Investments

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

(Section 5.10)

Security for Deposits and Investment of Funds

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; **provided, however,** (a) that if the securing of such money is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in

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the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any money with them pursuant to the debt service fund provisions or the defeasance provisions of the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Trustee to give security for any money which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such money.

(Section 6.01)

Investment of Funds and Accounts Held by the Trustee

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

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

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

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

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

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

(Section 6.02)

Particular Covenants

Payment of Principal and Interest

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

(Section 7.01)

Further Assurance

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

(Section 7.04)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to a Series of Bonds, including but not limited to the objects and purposes for which proceeds of such Bonds were expended and the respective amounts expended for such objects and purposes. Such books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Institution, the Trustee or of any Holder of a Bond of a Series or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Provider and to the Institution. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and the applicable Series Resolution; a statement of the Revenues collected in connection herewith and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of a Series or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

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

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another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created by the Resolution and by a Series Resolution and (ii) incurring obligations with respect to a Credit Facility or a Liquidity Facility which are secured by a lien upon and pledge of the applicable Revenues of equal priority with the lien created and the pledge made by the Resolution and by the applicable Series Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Institution

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

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund

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

(Section 7.08)

Offices for Payment and Registration of Bonds

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

(Section 7.09)

Amendment of Loan Agreement

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

pursuant to this paragraph by the Holders of Bonds shall, except as otherwise provided in the Resolution, be given in the same manner required by the Resolution.

A Loan Agreement may be amended, changed, modified or altered (i) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any facilities constituting a part of any Project or to otherwise amend the Project or (ii) with the consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in such Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Except as otherwise provided in the Resolution, a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds or the Trustee. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

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

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

For all purposes of the Resolution section summarized herein, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification, alteration, termination or waiver adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

(Section 7.11)

Notice as to Event of Default under Loan Agreement

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

(Section 7.12)

Series Resolutions and Supplemental Resolutions

Modification and Amendment without Consent

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

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

(Section 9.01)

Supplemental Resolutions Effective With Consent

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

(Section 9.02)

General Provisions Relating to Supplemental Resolutions

The Resolution or a Series Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution. Nothing contained the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution summarized under the heading "**Further Assurance**"

above, or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere provided in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

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

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

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

(Section 9.03)

Amendments of Resolution

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution or of any Series Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as in the Resolution after provided in the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds of a Series Outstanding at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution section summarized herein, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds of such Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution summarized above to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders of a Series of Bonds affected by the Resolution

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

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

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

(Section 10.02)

Modifications by Unanimous Consent

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

(Section 10.03)

Defaults and Remedies

Events of Default

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

(a) With respect to a Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to a Series of Bonds, payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in such Bonds or in the Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(e) With respect to a Series of Bonds, the Authority shall have notified the Trustee that an "Event of Default" as defined in the Loan Agreement shall have occurred and be continuing and all sums payable by the Institution under the Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default summarized in paragraph (c) above, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series, shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of such Series to be immediately due and payable. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in a Series Resolution or in the Bonds of a Series to the contrary notwithstanding. At any time after the principal of such Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds of such Series not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) money shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Series (except the interest accrued on such Bonds since the last interest payment date); (ii) money shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Series Resolution (other than principal amounts payable only because of a declaration and acceleration under the Resolution) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section of the Resolution) shall have been remedied to

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the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

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

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

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or thereof or to enforce any right under the Resolution or thereunder except in the manner in the Resolution provided and in the Series Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such

Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

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

(b) Bonds for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee (through deposit of money for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution. All Outstanding Bonds of any Series or any maturity within such Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph (a) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received the written consent to such defeasance of each applicable Provider which has given written notice to the Trustee and the Authority that amounts advanced under the Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Provider, and (iv) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by the Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which money is to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with the Resolution. The Trustee shall select the Bonds of like Series, Sub-Series and maturity payment of which shall be made in accordance with the Resolution in the manner provided in the Resolution.

(Section 12.01)

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**FORM OF APPROVING OPINIONS
OF CO-BOND COUNSEL**

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FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

To Be Rendered By Each Of
Squire Sanders (US) LLP and D. Seaton and Associates

_____, 2012

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

We have served as bond counsel to our client the Dormitory Authority of the State of New York (the "Authority") and not as counsel to any other person in connection with the issuance by the Authority of its \$46,575,000 Brooklyn Law School Revenue Bonds, Series 2012A (the "Series 2012A Bonds"), dated the date of this letter.

The Series 2012A Bonds are issued pursuant to the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act"), the Brooklyn Law School Revenue Bond Resolution, adopted on October 29, 2009 and the Series Resolution Authorizing Up To \$60,000,000 Brooklyn Law School Revenue Bonds, Series 2012A, adopted on June 20, 2012 (collectively, the "Resolution"). Capitalized terms not otherwise defined in this letter are used as defined in the Resolution or the Loan Agreement (as defined herein).

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2012A Bonds, a copy of the signed and authenticated Series 2012A Bond of the first maturity and the Loan Agreement, dated as of June 20, 2012 (the "Loan Agreement"), between the Authority and Brooklyn Law School (the "Institution"), and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Resolution has been duly and lawfully adopted by the Authority.
2. The Resolution and the Loan Agreement are valid and binding obligations of the Authority, enforceable in accordance with their respective terms.
3. The Series 2012A Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the equal benefits of the Resolution and the Act. The payment of

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debt service on the Series 2012A Bonds is not secured by an obligation or pledge of any money raised by taxation, and the Series 2012A Bonds do not represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of New York or any of its political subdivisions.

4. Interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest on the Series 2012A Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. Interest on the Series 2012A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. We express no opinion as to any other tax consequences regarding the Series 2012A Bonds.

Initial purchasers of the Series 2012A Bonds whose initial adjusted basis in such Bonds exceeds the respective principal amount of such Bonds (“Premium Bonds”) will have bond premium to the extent of that excess. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield must be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Authority, and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the Institution delivered in connection with this matter.

In rendering those opinions with respect to the treatment of the interest on the Series 2012A Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Authority and the Institution. Failure to comply with certain of those covenants subsequent to issuance of the Series 2012A Bonds may cause interest on the Series 2012A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

In rendering those opinions with respect to the treatment of the interest on the Series 2012A Bonds under the federal tax laws, we also further assume the correctness of, and rely on the opinions of Nixon Peabody LLP, counsel to the Institution, regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code, which opinions are subject to a number of qualifications and limitations. We also assume the correctness of, and rely upon the accuracy of, representations of the Institution concerning the use of the facilities financed with the Series 2012A Bonds in activities that are considered “unrelated trade or business” activities of the Institution, as defined in Section 513(a) of the Code. We have not given any opinion or assurance concerning Section 513(a) of the Code or the effect of any future activities of the Authority or the Institution. Failure of the Institution to maintain its qualification as an organization described in Section 501(c)(3) of the Code, or to use the facilities financed by the Series 2012A Bonds in a manner that is substantially related to the Institution’s charitable purpose under Section 513(a) of the Code, may cause interest on the Series 2012A Bonds to be included in gross income retroactively to the date of the issuance of the Series 2012A Bonds.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2012A Bonds, the Resolution or the Loan Agreement.

The opinions contained in paragraphs 1, 2 and 3 above are qualified to the extent that the enforceability of the Resolution, the Series 2012A Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors’ rights generally or as to the availability of any particular remedy.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Institution. We have assumed the due authorization, execution and delivery of the Loan Agreement by the Institution.

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Series 2012A Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2012A Bonds has concluded on this date.

Respectfully submitted,

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