



\$29,470,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
CONVENT OF THE SACRED HEART INSURED REVENUE BONDS,
SERIES 2011

Dated: Date of Delivery

Due: November 1, as shown below

Payment and Security: The Convent of the Sacred Heart Insured Revenue Bonds, Series 2011 (the “Series 2011 Bonds”) are special obligations of the Dormitory Authority of the State of New York (the “Authority”) payable solely from and secured by a pledge of (i) certain payments to be made under the Loan Agreement (the “Loan Agreement”), dated as of December 8, 2010, between The Convent of the Sacred Heart School of New York (the “Institution”) and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) established under the Authority’s Convent of the Sacred Heart Revenue Bond Resolution, adopted October 27, 2010 (the “Resolution”) and the Convent of the Sacred Heart Series 2011 Resolution Authorizing Up To \$33,000,000 of Series 2011 Bonds, adopted December 8, 2010 (the “Series 2011 Resolution”). The Series 2011 Bonds will also be secured by a Debt Service Reserve Fund which will be funded from a portion of the proceeds of the Series 2011 Bonds in an amount equal to the Debt Service Reserve Fund Requirement.

The Loan Agreement is a general obligation of the Institution and requires the Institution 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 or Purchase Price of and interest on the Series 2011 Bonds, as such payments become due. The obligations of the Institution under the Loan Agreement to make such payments are secured by a pledge of tuition and fee revenue of the Institution and the Mortgage.

The Series 2011 Bonds will not be a debt of the State of New York (the “State”) and the State will not be liable on the Series 2011 Bonds. The Authority has no taxing power.

Bond Insurance: The scheduled payment of principal of and interest on the Series 2011 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2011 Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“AGM” or the “Insurer”).



Description: The Series 2011 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due May 1, 2011 and on each November 1 and May 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2011 Bonds at their addresses as shown on the registration books held by the Trustee 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 2011 Bonds will be payable at the principal corporate trust office of U.S. Bank National Association, the Trustee and Paying Agent as more fully described herein.

The Series 2011 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 2011 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2011 Bonds, payments of the principal, Redemption Price or Purchase Price of and interest on such Series 2011 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 2011 BONDS - Book-Entry Only System” herein.

Redemption or Purchase: *The Series 2011 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein.*

Tax Exemption: In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2011 Bonds is included in “adjusted current earnings” for purposes of calculating the federal alternative minimum tax liability of certain corporations. Bond Counsel is also of the opinion that, under existing statutes, including the Act (as defined herein), interest on the Series 2011 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. Bond Counsel expresses no opinion regarding any other consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds. See “PART 10 – TAX MATTERS” herein regarding certain other related tax considerations.

\$8,590,000 Serial Bonds

Due November 1,	Amount	Interest Rate	Yield	CUSIP Number ⁽¹⁾	Due November 1,	Amount	Interest Rate	Yield	CUSIP Number ⁽¹⁾
2011	\$ 250,000	3.000 %	1.84 %	649906AA2	2019	\$1,105,000	5.000 %	4.52 %	649906AJ3
2012	350,000	3.000	2.07	649906AB0	2020	1,165,000	5.000	4.76	649906AK0
2013	450,000	4.000	2.46	649906AC8	2021	120,000	5.000	4.90*	649906AL8
2014	550,000	3.000	2.87	649906AD6	2022	165,000	5.000	5.07	649906AM6
2015	600,000	4.000	3.22	649906AE4	2023	205,000	5.125	5.21	649906AN4
2016	960,000	5.000	3.51	649906AF1	2024	155,000	5.250	5.34	649906AP9
2017	1,010,000	5.000	3.93	649906AG9	2025	200,000	5.375	5.47	649906AQ7
2018	1,055,000	4.000	4.23	649906AH7	2026	250,000	5.500	5.61	649906AR5

*Priced to the first optional call on May 1, 2021.

\$ 2,275,000 5.625% Term Bonds Due November 1, 2032, Yield 5.68% CUSIP Number 649906AS3⁽¹⁾

\$ 5,995,000 5.625% Term Bonds Due November 1, 2035, Yield 5.80% CUSIP Number 649906AT1⁽¹⁾

\$12,610,000 5.750% Term Bonds Due November 1, 2040, Yield 5.85% CUSIP Number 649906AU8⁽¹⁾

The Series 2011 Bonds are offered when, as, and if issued and accepted by the Underwriters. The offer of the Series 2011 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 Harris Beach PLLC, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its Counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, New York, New York. The Authority expects to deliver the Series 2011 Bonds in definitive form in New York, New York, on or about February 10, 2011.

WELLS FARGO SECURITIES

LEBENTHAL & CO., LLC

Dated: January 28, 2011

⁽¹⁾ CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2011 Bonds. Neither the Authority nor the Underwriters is responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2011 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2011 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2011 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 2011 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution or the Underwriters to give any information or to make any representations with respect to the Series 2011 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 Institution or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2011 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 Institution, the Insurer and other sources that the Authority believes are reliable. None of the Authority, the Insurer nor the Underwriters guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority, the Insurer or the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Mortgage, the Principal and Interest Requirements, the Project, the Estimated Sources and Uses of Funds and Appendix B. As a condition to delivery of the Series 2011 Bonds, the Institution will certify that as of the date of this Official Statement and of delivery of the Series 2011 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 Institution makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

AGM makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Bond Insurance" and in "Appendix F - Specimen Municipal Bond Insurance Policy".

References in this Official Statement to the Act, the Resolution, the Series 2011 Resolution, the Bond Series Certificate and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2011 Resolution, the Bond Series Certificate and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2011 Resolution, the Bond Series Certificate and the Loan Agreement are on file with the Authority and the Trustee.

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2011 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. - CHAIR

OFFICIAL STATEMENT RELATING TO
\$29,470,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
CONVENT OF THE SACRED HEART
INSURED REVENUE BONDS, SERIES 2011

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, the Institution and the Insurer, in connection with the offering by the Authority of \$29,470,000 aggregate principal amount of its Convent of the Sacred Heart Insured Revenue Bonds, Series 2011 (the “Series 2011 Bonds”).

The following is a brief description of certain information concerning the Series 2011 Bonds, the Authority, the Institution and the Insurer. A more complete description of such information and additional information that may affect decisions to invest in the Series 2011 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 2011 Bonds are being issued for the purpose of providing funds which, together with other moneys available to the Institution, will be used to (i) pay all or a portion of the Costs of the Project, (ii) pay certain credit enhancement fees in connection with the issuance of the Series 2011 Bonds, (iii) make a deposit to the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2011 Bonds, and (iv) pay the Costs of Issuance of the Series 2011 Bonds. See “PART 4 — THE PROJECT” and “PART 5 — ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2011 Bonds are authorized under the Dormitory Authority Act being Title 4 of Article 8 of the Public Authorities Law of the State, as amended, including Chapter 123 of the Laws of 2010 of the State of New York (the “Enabling Act”), the Authority’s Convent of the Sacred Heart Revenue Bond Resolution adopted on October 27, 2010 (the “Resolution”), the Convent of the Sacred Heart Series 2011 Resolution Authorizing Up To \$33,000,000 of Series 2011 Bonds adopted on December 8, 2010 (the “Series 2011 Resolution”). Certain terms of the Series 2011 Bonds are set forth in the Bond Series Certificate dated January 28, 2011 (the “Bond Series Certificate”) delivered by an Authorized Officer of the Authority pursuant to the Resolution. The Resolution, the Series 2011 Resolution and the Bond Series Certificate are collectively referred to herein as the “Resolutions”).

The Resolution authorizes the issuance of Bonds (collectively, the “Bonds”) pursuant to separate Series Resolutions for the benefit of the Institution. The Series 2011 Bonds will be issued pursuant to the Act, the Resolution, and the Series 2011 Resolution. The Series 2011 Bonds are the first Series of Bonds to be issued under the Resolution. In addition to the Series 2011 Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay other Costs of the Project, to pay the Costs of Issuance of such Series of Bonds, to make a deposit to the Debt Service Reserve Fund, if any, securing such Bonds, and to refund all or a portion of Outstanding Bonds or other notes or bonds of the Authority or indebtedness of the Institution. The Resolution does not limit the amount of additional Bonds that may be issued thereunder, however, notwithstanding the foregoing, the Enabling Act limits the total amount of Bonds that may be issued for the Project to \$55,000,000. See “PART 3 — THE SERIES 2011 BONDS.”

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 Institution

The Institution is a not-for-profit education corporation organized and existing under the laws of the State of New York. The Institution is located in The City of New York, New York. See “PART 6 - THE INSTITUTION” and “Appendix B - Financial Statements of The Convent of the Sacred Heart School of New York and Independent Auditors’ Report.”

The Series 2011 Bonds

The Series 2011 Bonds are dated their date of delivery and bear interest from such date (payable May 1, 2011 and on each November 1 and May 1 thereafter) at the rates and will mature as set forth on the cover page of this Official Statement. See “PART 3 - THE SERIES 2011 BONDS - Description of the Series 2011 Bonds.”

Payment of the Series 2011 Bonds

The Series 2011 Bonds are special obligations of the Authority payable solely from the Revenues which consist of certain payments to be made by the Institution under the Loan Agreement, which payments are pledged and assigned to the Trustee. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Payment of the Series 2011 Bonds.”

Security for the Series 2011 Bonds

The Series 2011 Bonds will be separately secured from each other Series of Bonds by the pledge and assignment to the Trustee of the applicable Revenues and the funds and accounts established pursuant to the Series 2011 Resolution, which include a Debt Service Reserve Fund. The Series 2011 Bonds will be equally and ratably secured with all other Series of Bonds by the pledge and assignment to the Trustee of the Authority’s security interest in the Pledged Revenues granted by the Institution under the Loan Agreement, subject to the provisions of the Intercreditor Agreement, described below. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Security for the 2011 Bonds - *Pledged Revenues.*” In connection with future indebtedness of the Institution, the Institution may grant to the holders of such future indebtedness a security interest in the Pledged Revenues on a parity with the Authority’s security interest in the Pledged Revenues securing the Series 2011 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Financial Covenants - *Additional Indebtedness*” and “Appendix C - Summary of Certain Provisions of the Loan Agreement.”

The Series 2011 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 2011 Bonds except for the Authority’s responsibility to make payments from moneys received from the Institution pursuant to the Loan Agreement and from amounts held in the funds and accounts established pursuant to the Series 2011 Resolution and pledged therefor.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2011 Bonds will be guaranteed under a municipal bond insurance policy (the “Policy”) to be issued concurrently with the delivery of the Series 2011 Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the “Insurer” or “AGM”). See “PART 2- SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Bond Insurance.”

Intercreditor Agreement

The New York City Industrial Development Agency has previously issued \$15,115,000 Civic Facility Revenue Bonds (The Convent of the Sacred Heart School of New York Project), Series 2002 (the “Series 2002 IDA Bonds”), of which \$14,515,000 aggregate principal amount is currently outstanding. Payment of the principal and interest on the Series 2002 IDA Bonds is secured by a irrevocable direct pay letter of credit issued by First Republic Bank (the “LOC Bank”) pursuant to a Letter of Credit Reimbursement Agreement (the “IDA Reimbursement Agreement”) between the LOC Bank and the Institution. Under the IDA Reimbursement Agreement, the Institution is obligated to make certain payments to the LOC Bank in connection with amounts drawn under the irrevocable direct pay letter of credit, which repayment obligations are secured by a security interest in the Pledged Revenues. The Authority, the LOC Bank, the Trustee and the Insurer will, on the date of delivery of the Series 2011 Bonds, enter into an Intercreditor Agreement (the “Intercreditor Agreement”), pursuant to which the parties will covenant and agree: (i) that the Institution’s obligations under the Loan Agreement, the IDA Reimbursement Agreement and a reimbursement agreement between the Institution and the Insurer (the “Insurance Agreement”) will be secured by a parity lien on the Pledged Revenues, (ii) to the establishment of limitations or conditions upon their respective rights to enforce, foreclose or otherwise realize upon the Pledged Revenues, (iii) upon the manner in which any money realized from the enforcement, foreclosure or other realization upon the Pledged Revenues are to be applied, and (iv) to appoint a Collateral Agent to act on their behalf in the event that the enforcement of rights thereunder becomes necessary. Absent the Intercreditor Agreement, the Authority’s security interest in the Pledged Revenues would be subordinate to the LOC Bank’s security interest in the Pledged Revenues. The Intercreditor Agreement may be amended without consent of the Holders of the Series 2011 Bonds, including amendments relating to the issuance of Additional Bonds under the Resolution and/or the incurrence of additional Parity Indebtedness payable from and secured by the Pledged Revenues.

Financial Covenants

The Institution has entered into certain financial covenants in the Loan Agreement, including a provision for the maintenance of a debt service coverage ratio, a liquidity covenant, and a covenant related to incurrence of additional debt and variable rate debt and a negative mortgage pledge relating to certain real property of the Institution. For a description of such covenants, see “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Financial Covenants.” Certain of these covenants may be amended or waived with the prior written consent of the Insurer (and in certain instances, the Authority), but without the consent of the Trustee or the Holders of any Series 2011 Bonds, see “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Mortgage and Assignments.”

Mortgage and Assignments

The Institution’s obligations to the Authority under the Loan Agreement will be additionally secured by the Mortgage on the Mortgaged Property and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. In addition, the Mortgage and the Authority’s right, title and interest under the Loan Agreement, other than certain retained rights, will be assigned by the Authority to the Trustee at the time the Series 2011 Bonds are issued pursuant to the Assignment of Mortgage from the Authority to the Trustee and the Assignment Agreement among the Authority, the Trustee and the Insurer (collectively, the “Assignment Agreements”). Pursuant to the Assignments Agreements, the Authority retains the right to receive certain fees and indemnification and the right, for a limited time, to direct the remedies for or waive certain events of default under the Loan Agreement relating to breaches of certain covenants other than those regarding payments of amounts sufficient to pay principal of and interest on the Series 2011 Bonds. The Insurer, through the Trustee, has the right to direct the remedies for or waive such events of default under the Loan Agreement after such limited period and all other events of default under the Loan Agreement. Notwithstanding the assignment of the Mortgage, the Mortgage may be amended, and the Mortgaged Property may be released, with the consent of the Authority and the Insurer but without the consent of the Trustee or the Holders of the Series 2011 Bonds.

The Project

The proceeds of the Series 2011 Bonds will be used, in part, to refinance the cost of real property acquisition and certain preliminary design and planning costs relating to the acquisition and construction of an athletic facility for use by the Institution. For a more complete description of the Project, see “PART 4 - THE PROJECT.”

PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2011 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 2011 Resolution. Copies of the Loan Agreement, the Resolution and the Series 2011 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 2011 Bonds

The Series 2011 Bonds will be special obligations of the Authority. The principal of and interest on the Series 2011 Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement on account of the principal and Sinking Fund Installments, if any, of and interest on the Outstanding Series 2011 Bonds and to maintain the Debt Service Reserve Fund at its requirement. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Series 2011 Bonds.

The Loan Agreement is a general obligation of the Institution and obligates the Institution to make payments to satisfy the principal and Sinking Fund Installments, if any, and Redemption Price or Purchase Price of and interest on the Series 2011 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 2011 Bonds coming due on the next succeeding interest payment date and of the principal and Sinking Fund Installments coming due on the next succeeding November 1. The Loan Agreement also obligates the Institution to make payments sufficient to pay, at least 15 days prior to a redemption date or purchase date of Series 2011 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 2011 BONDS - Redemption and Purchase in Lieu of Redemption Provisions.”

The Authority has directed the Institution, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal of and interest on the Series 2011 Bonds. The payments to be made by the Institution to restore the Debt Service Reserve Fund are to be made directly to the Trustee for deposit to such fund.

Security for the Series 2011 Bonds

The Series 2011 Bonds will be separately secured from each other Series of Bonds by the pledge and assignment to the Trustee of the applicable Revenues and the funds and accounts established pursuant to the Series 2011 Resolution. The Series 2011 Bonds will be equally and ratably secured with all other Series of Bonds by the pledge and assignment to the Trustee of the Authority’s security interest in the Pledged Revenues granted by the Institution under the Loan Agreement, subject to the provisions of the Intercreditor Agreement. See “Appendix D - Summary of Certain Provisions of the Resolution.”

Pledged Revenues

As security for its obligations under the Loan Agreement, the Institution has granted to the Authority a security interest in the Pledged Revenues, consisting of tuition and fees charged to students and received or receivable by the Institution. The Authority has pledged and assigned to the Trustee for the benefit of the Holders of Series 2011 Bonds its security interest in the Pledged Revenues. Pursuant to the Loan Agreement, the Institution has covenanted not to incur additional debt if the lien securing such additional debt would constitute a prior pledge of the Pledged Revenues. However, the Loan Agreement permits the Institution under certain conditions to incur additional indebtedness (“Parity Indebtedness”) secured by the Pledged Revenues on a parity basis with the pledge securing the

Series 2011 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Issuance of Additional Indebtedness.”

Intercreditor Agreement

The New York City Industrial Development Agency has previously issued the Series 2002 IDA Bonds, of which \$14,515,000 aggregate principal amount is currently outstanding. Payment of the principal and interest on the Series 2002 IDA Bonds is secured by a irrevocable direct pay letter of credit issued by the LOC Bank pursuant to the IDA Reimbursement Agreement. Under the IDA Reimbursement Agreement the Institution is obligated to make certain payments to the LOC Bank in connection with amounts drawn under the irrevocable direct pay letter of credit, which repayment obligations are secured by a security interest in the Pledged Revenues. The Authority, the LOC Bank, the Trustee and the Insurer will, on the date of delivery of the Series 2011 Bonds, enter into the Intercreditor Agreement, pursuant to which the parties will covenant and agree: (i) that the Institution’s obligations under the Loan Agreement, the IDA Reimbursement Agreement and the Insurance Agreement will be secured by a parity lien on the Pledged Revenues, (ii) to the establishment of limitations or conditions upon their respective rights to enforce, foreclose or otherwise realize upon the Pledged Revenues, (iii) upon the manner in which any money realized from the enforcement, foreclosure or other realization upon the Pledged Revenues are to be applied, and (iv) to appoint a Collateral Agent to act on their behalf in the event that the enforcement of rights thereunder becomes necessary. Absent the Intercreditor Agreement, the Authority’s security interest in the Pledged Revenues would be subordinate to the LOC Bank’s security interest in the Pledged Revenues. The Intercreditor Agreement may be amended without consent of the Holders of any Series 2011 Bonds including amendments made in connection with the issuance of any additional Bonds issued under the Resolution and/or additional Parity Indebtedness incurred by the Institution to provide that Holders of such additional indebtedness may share on a parity with respect to proceeds from the enforcement of the pledge and assignment of the Pledged Revenues.

Debt Service Reserve Fund

The Series 2011 Resolution establishes the Debt Service Reserve Fund. The Debt Service Reserve Fund is to be held by the Trustee, is to be applied solely for the purposes specified in the Resolutions and is pledged to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2011 Bonds. The Debt Service Reserve Fund for the Series 2011 Bonds shall be maintained at an amount equal to the least of (i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on Outstanding Series 2011 Bonds payable during such calendar year, and the principal and Sinking Fund Installments of Outstanding Series 2011 Bonds payable on November 1 of such calendar year, (ii) 10% of the par amount of the Series 2011 Bonds or (iii) 125% of the average of the principal and interest on the Series 2011 Bonds becoming due in one calendar year. The Debt Service Reserve Fund Requirement for the Series 2011 Bonds will be funded with a portion of the proceeds of the Series 2011 Bonds and deposited, on the date of delivery of the Series 2011 Bonds, in the Debt Service Reserve Fund. The Resolution provides that the Authority may subsequently satisfy all or part of the Debt Service Reserve Fund Requirement for the Series 2011 Bonds by depositing into the Debt Service Reserve Fund a Reserve Fund Facility. See “Appendix D - Summary of Certain Provisions of the Resolution.”

Moneys are to be withdrawn from the Debt Service Reserve Fund and deposited in the Debt Service Fund whenever the amount in such Debt Service Fund on the 4th Business Day prior to an interest payment date is less than the amount which is necessary to pay the principal and Sinking Fund Installments, if any, of and interest on Outstanding Series 2011 Bonds payable on such interest payment date. The Loan Agreement requires that the Institution restore the Debt Service Reserve Fund to its requirement by paying the amount of any deficiency to the Trustee within 5 days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of its requirement shall be withdrawn and applied in accordance with the Resolution. See “Appendix D - Summary of Certain Provisions of the Resolution.”

Financial Covenants

The Loan Agreement contains certain business covenants of the Institution. Such covenants may be amended or waived with the prior written consent of the Insurer (and in certain instances, the Authority), but without the consent of the Trustee or the Holders of any Series 2011 Bonds. The following is a summary of such covenants:

Liquidity Covenant

The Institution covenants to maintain in each fiscal year a ratio of Available Funds to Debt of at least 0.5 to 1, computed as at the end of each fiscal year; provided, however, that such ratio shall increase to, and remain at, 0.75 to 1 if at any time the Institution achieves a ratio of Available Funds to Debt of 1 to 1 as at the end of any fiscal year;

further, provided, that such ratio shall permanently increase to 1 to 1 at such time as the Institution achieves Available Funds to Debt of 1.25 to 1 as at the end of any fiscal year or issues additional debt pursuant to the provisions described under the subheading below “Additional Debt” (other than up to \$5 million in additional Debt issued to complete the Project pursuant to the proviso described under the subheading below “Additional Debt”). For the purposes of this liquidity covenant, Available Funds shall mean Cash and Cash Equivalents less Campaign Collections less Reserves plus (Investments less Permanently Restricted Net Assets).

Rate Covenant

The Institution covenants to set tuition and fees in each fiscal year in an amount sufficient to produce Net Unrestricted Operating Revenues in an amount equal to at least 125% of the debt service on all Debt for such fiscal year, computed as of the end of such fiscal year. For purposes hereof, Net Unrestricted Operating Revenues shall be defined as Total Adjusted Unrestricted Operating Revenue less Total Unrestricted Expenses plus Depreciation Expense plus Interest Expense. Adjusted Unrestricted Operating Revenues shall be defined as Total Support and Revenue (Unrestricted) less Net Assets Released from Restrictions less Net Unrealized Gains (Losses) plus 5% of Cash and Investments.

Additional Debt

The Institution covenants that it shall not issue any Debt if (i) Pro Forma Maximum Annual Debt Service would exceed an amount equal to 15% of Total Expenses (Unrestricted) or (ii) Available Funds would be less than 1 times total Debt (including the proposed Debt); provided that up to \$5 million in Debt may be issued and outstanding without meeting the requirement under this subheading or under the subheading “Variable Rate Debt/Put Debt” below if such Debt is issued for the purpose of completing the Project and such Debt is issued in compliance with the IDA Reimbursement Agreement.

Variable Rate Debt/Put Debt

The Institution covenants that it shall not at any time incur or assume additional Variable or Put Debt in an amount that would exceed 30% of the total principal amount of its outstanding Debt and the Institution agrees in the Loan Agreement that an event of default or acceleration of the obligations under any reimbursement agreement or similar agreement entered into with respect to variable rate or put debt (including for purposes hereof a requirement to reimburse obligations on a basis less than a five year term out) shall constitute an event of default under the Loan Agreement.

Negative Pledge

The Institution also covenants that it shall not at any time incur, permit, grant or suffer to exist any lien or other encumbrance securing indebtedness or other obligations on the main school facility of the Institution located at 1-7 East 91st Street, New York, New York (except for the lease granted in connection with the issuance of the Series 2002 IDA Bonds and certain other permitted encumbrances), unless such lien or other encumbrance also secures the Series 2011 Bonds.

Certain terms under this heading are defined in Appendix A hereto. For a more complete description of the financial covenants of the Institution contained in the Loan Agreement, see “Appendix C - Summary of Certain Provisions of the Loan Agreement.”

Mortgage and Assignments

In connection with the delivery of the Series 2011 Bonds, the Institution 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 required to be made by the Institution pursuant to the Loan Agreement. In addition, the Mortgage and the Authority’s right, title and interest under the Loan Agreement, other than certain retained rights, will be assigned by the Authority to the Trustee at the time the Series 2011 Bonds are issued pursuant to the Assignment of Mortgage from the Authority to the Trustee and the Assignment Agreement among the Authority, the Trustee and the Insurer (collectively, the “Assignment Agreements”). Pursuant to the Assignments Agreements, the Authority retains the right to receive certain fees and indemnification and the right, for a limited time, to direct the remedies for or waive certain events of default under the Loan Agreement relating to breaches of certain covenants other than those regarding payments of amounts sufficient to pay principal of and interest on the Series 2011 Bonds. The Insurer,

through the Trustee, has the right to direct the remedies for or waive such events of default under the Loan Agreement after such limited period and all other events of default under the Loan Agreement.

Notwithstanding the assignment of the Mortgage, the Mortgage may be amended, and the Mortgaged Property may be released, with the consent of the Authority and the Insurer but without the consent of the Trustee or the Holders of the Series 2011 Bonds.

The Mortgaged Property is presently unencumbered and the Mortgage will constitute a first mortgage lien on the Mortgaged Property.

Events of Default and Acceleration

The following are events of default under the Resolution with respect to the Series 2011 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 2011 Resolution to comply with the provisions of the Code necessary to maintain the exclusion of interest on such Bonds from gross income for purposes of federal income taxation; (iv) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2011 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 Institution under the Loan Agreement have been declared immediately due and payable (unless such declaration shall have been annulled). Unless all sums payable by the Institution 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 2011 Bonds, shall declare the principal of and interest on all the Outstanding Series 2011 Bonds to be due and payable. At any time after the principal of the Series 2011 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 2011 Bonds not yet 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 Series 2011 Bonds (except the interest accrued on such Series 2011 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 Resolutions (other than principal amounts payable only because of an acceleration) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other event of default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolutions or in the Series 2011 Bonds shall have been remedied to the reasonable satisfaction of the Trustee.

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 Institution and the Insurer within five days, and to the Holders within 30 days, in each case after obtaining knowledge of the occurrence thereof, unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of or interest on any of the Series 2011 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 2011 Bonds.

With respect to the Series 2011 Bonds, so long as the Insurer is not in default under the Policy, the Insurer shall be deemed to be the sole holder of the Series 2011 Bonds for purposes of exercising any voting rights or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2011 Bonds are entitled to take with respect to defaults and remedies under the Resolutions. So long as the Insurer is not in default under the

Policy, the Trustee must exercise remedies at the direction of the Insurer and may not exercise remedies at the direction of the Holders without the consent of the Insurer.

Issuance of Additional Indebtedness

In addition to the Series 2011 Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance the Project and for other specified purposes, including to refund Outstanding Bonds or other notes or bonds of the Authority or other indebtedness of the Institution. Each Series of Bonds will be separately secured from each other Series of Bonds by the pledge and assignment to the Trustee of the applicable Revenues and the funds and accounts established pursuant to the applicable Series Resolution. Each Series of Bonds will also be equally and ratably secured with all other Series of Bonds by the pledge and assignment to the Trustee of the Authority's security interest in the Pledged Revenues, subject to the provisions of the Intercreditor Agreement. The Resolution does not limit the amount of additional Bonds that may be issued thereunder, however notwithstanding the foregoing, the Enabling Act limits the total amount of Bonds that may be issued for the Project to \$55,000,000.

The Loan Agreement also permits the Institution, under certain conditions, to incur additional long-term indebtedness secured by the Pledged Revenues on a parity with the pledge securing the Series 2011 Bonds and the Series 2002 IDA Bonds. In conjunction with the incurrence by the Institution of such additional Parity Indebtedness, the Institution will execute and will cause each holder (or its fiduciary) of such additional Parity Indebtedness to execute the Intercreditor Agreement, or an amendment thereto, reflecting the incurrence of such additional Parity Indebtedness. The Authority will execute the Intercreditor Agreement or amendments thereto (which are reasonably acceptable to the Authority), to reflect the incurrence of additional Parity Indebtedness permitted by the Loan Agreement in order to reflect the rights of each creditor with respect thereto.

General

The Series 2011 Bonds will not be a debt of the State and the State will not be liable on the Series 2011 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."

Bond Insurance

The following information is not complete and reference is made to Appendix F for a specimen of the Policy of AGM.

Bond Insurance Policy

Concurrently with the issuance of the Series 2011 Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2011 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2011 Bonds when due as set forth in the form of the Policy included as Appendix F to this Official Statement.

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

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service,

Inc. (“Moody’s”). On February 24, 2010, Fitch, Inc. (“Fitch”), at the request of AGL, withdrew its “AA” (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) requesting comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM’s counterparty credit and financial strength rating from “AAA” (negative outlook) to “AA+” (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the “AA” (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch’s comments.

On December 18, 2009, Moody’s issued a press release stating that it had affirmed the “Aa3” insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody’s comments.

There can be no assurance as to any further ratings action that Moody’s or S&P may take with respect to AGM.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the “SEC”) on March 1, 2010, AGL’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, AGL’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010, and AGL’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which was filed by AGL with the SEC on November 9, 2010.

Capitalization of AGM

At September 30, 2010, AGM’s consolidated policyholders’ surplus and contingency reserves were approximately \$2,512,828,657 and its total net unearned premium reserve was approximately \$2,305,542,616, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010);

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010); and

(iv) The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (which was filed by AGL with the SEC on November 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2011 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included in this "PART 2- SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS" under the subheading "Bond Insurance – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented in this PART 2- SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS" under the subheading "Bond Insurance".

PART 3 — THE SERIES 2011 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2011 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2011 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 2011 Bonds.

Description of the Series 2011 Bonds

The Series 2011 Bonds will be issued pursuant to the Resolution and the Series 2011 Resolution and will be dated their date of delivery and bear interest from such date (payable May 1, 2011 and on each November 1 and May 1 thereafter) at the rates set forth on the cover page of this Official Statement.

The Series 2011 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2011 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchase of beneficial interests in the Series 2011 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2011 Bonds, the Series 2011 Bonds will be exchangeable for other fully registered Series 2011 Bonds in any other 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” herein and “Appendix D – Summary of Certain Provisions of the Resolution”.

The principal of and interest on the Series 2011 Bonds will be payable in lawful money of the United States of America. The principal or Redemption Price of the Series 2011 Bonds will be payable at the principal corporate trust office of U.S. Bank National Association, the Trustee and Paying Agent. Interest on the Series 2011 Bonds will be payable by check or draft mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee. Interest is payable to the registered owners who are such registered owners at the close of business on the fifteenth day of the calendar month next preceding an interest payment date. In the event that the Series 2011 Bonds are no longer held in book-entry only form, Bondholders of \$1,000,000 or more aggregate principal amount of Series 2011 Bonds may receive interest by wire transfer to the wire transfer address, within the continental United States specified by such Bondholder, upon the written request of such Holder received not less than 20 days prior to the next interest payment date, which written request may apply to multiple interest payment dates. In such event, such Bondholders may also receive the Redemption Price by wire transfer at the address in the continental United States specified by such Bondholder in a written request to the Trustee upon presentation and surrender to the Trustee of the Series 2011 Bond to be redeemed.

For a more complete description of the Series 2011 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2011 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 2011 Bonds, see “Appendix D—Summary of Certain Provisions of the Resolution.”

Optional Redemption

The Series 2011 Bonds maturing on or before November 1, 2020 are not subject to optional redemption prior to maturity. The Series 2011 Bonds maturing after November 1, 2020 are subject to redemption prior to maturity at the option of the Authority on or after May 1, 2021, 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 2011 Bonds to be redeemed, plus accrued interest to the redemption date.

Purchase in Lieu of Optional Redemption

The Series 2011 Bonds maturing after November 1, 2020 are also subject to purchase in lieu of optional redemption prior to maturity at the option of the Institution with the consent of the Authority and the Insurer, on or after May 1, 2021, 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 2011 Bonds to be purchased, plus accrued interest (the “Purchase Price”) to the date set for purchase (the “Purchase Date”).

Mandatory Redemption

The Series 2011 Bonds maturing on November 1, 2032, 2035 and 2040, are subject to redemption, in part, through application of Sinking Fund Installments upon notice given as prescribed in the Resolution, at a Redemption Price equal to 100% of the principal amount of such Series 2011 Bond to be redeemed, plus accrued interest to the date of redemption. Unless none of the Series 2011 Bonds of a maturity to be so redeemed are then Outstanding and, subject to the provisions of the Series 2011 Resolution permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there shall be due and the Authority shall be required to pay for the retirement of the Series 2011 Bonds maturing on November 1 of each of the years set forth in the following table, the amount set forth opposite such year:

<u>Series 2011 Bonds</u> <u>Maturing November 1, 2032</u>		<u>Series 2011 Bonds</u> <u>Maturing November 1, 2035</u>		<u>Series 2011 Bonds</u> <u>Maturing November 1, 2040</u>	
<u>Year</u>	<u>Sinking Fund</u> <u>Installments</u>	<u>Year</u>	<u>Sinking Fund</u> <u>Installments</u>	<u>Year</u>	<u>Sinking Fund</u> <u>Installments</u>
2027	\$ 300,000	2033	\$ 1,885,000	2036	\$ 2,235,000
2028	305,000	2034	1,995,000	2037	2,370,000
2029	365,000	2035 [†]	2,115,000	2038	2,515,000
2030	375,000			2039	2,665,000
2031	440,000			2040 [†]	2,825,000
2032 [†]	490,000				

[†] Stated maturity.

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2011 Bonds entitled to such Sinking Fund Installment (A) purchased with moneys in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of the Authority, (C) purchased by the Institution or the Authority and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2011 Bonds purchased with moneys in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2011 Bonds so purchased payable on the next succeeding November 1. Series 2011 Bonds redeemed at the option of the Authority, purchased by the Authority or the Institution (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as the Authority may direct in its discretion. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2011 Bonds of the maturity so purchased will be reduced for such year.

Special Redemption

The Series 2011 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 2011 Bonds to be redeemed, plus accrued interest to the redemption date from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project and from unexpended proceeds of the Series 2011 Bonds upon the abandonment of the Project or a portion thereof due to a legal or regulatory impediment.

Selection of Bonds to be Redeemed

In the case of redemptions of Series 2011 Bonds, the Authority will select the maturities of the Series 2011 Bonds to be redeemed. If less than all of the Series 2011 Bonds of a maturity are to be redeemed, the Series 2011 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

Generally, the Trustee is to give notice of the redemption of the Series 2011 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 2011 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 2011 Bonds to be redeemed. The failure of any owner of a Series 2011 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2011 Bond.

If on the redemption date moneys for the redemption of the Series 2011 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 2011 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2011 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 2011 Bonds will be given in the name of the Institution to the registered owners of the Series 2011 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 2011 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2011 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2011 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 2011 Bonds. Such Series 2011 Bonds need not be cancelled, and will remain Outstanding under the Resolution and continue to bear interest.

The Institution's obligation to purchase a Series 2011 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 2011 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 2011 Bonds to be purchased, the former registered owners of such Series 2011 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 2011 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 2011 Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2011 Bonds are to be purchased, the Series 2011 Bonds to be purchased will be selected by lot in the same manner as Series 2011 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 2011 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 2011 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 the securities depository for the Series 2011 Bonds. The Series 2011 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 2011 Bond certificate will be issued for each maturity of the Series 2011 Bonds, totaling in the aggregate the principal amount of the Series 2011 Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, 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, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation ("NSCC", "FICC" and "EMCC", respectively, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct

Participant, either directly or indirectly (“Indirect Participants”, and together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011 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, but Beneficial Owners are 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 2011 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 2011 Bonds, except in the event that use of the book-entry system for such Series 2011 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011 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 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to DTC. If less than all of the Series 2011 Bonds within a maturity of the Series 2011 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011 Bonds unless authorized by a Direct Participant in accordance with DTC’s 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 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2011 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal 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 is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2011 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 2011 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2011 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 Participant acquires an interest in the Series 2011 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may

desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2011 BONDS.

So long as Cede & Co. is the registered owner of the Series 2011 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2011 Bonds (other than under "PART 10 - TAX MATTERS" herein) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2011 Bonds.

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

For every transfer and exchange of Series 2011 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 2011 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2011 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 2011 Bond certificates will be delivered as described in the Resolution.

NEITHER THE AUTHORITY, THE INSTITUTION, THE INSURER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2011 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 2011 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 2011 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2011 BONDS; OR (VI) ANY OTHER MATTER.

Principal and Interest Requirements

The following table sets forth the amounts required to be paid by the Institution during each twelve month period ending October 31 of the Bond Years shown for the payment of debt service on the Series 2002 IDA Bonds, the principal of and interest on the Series 2011 Bonds and the total debt service on all indebtedness of the Institution, including the Series 2011 Bonds.

12 Month Period Ending October 31	Series 2011 Bonds				
	Principal Payments	Interest Payments	Total Debt Service on the Series 2011 Bonds	Debt Service* on Series 2002 IDA Bonds	Total Debt Service
2011	\$ 250,000	\$1,144,308	\$1,394,308	\$ 435,649	\$1,829,957
2012	350,000	1,570,856	1,920,856	508,375	2,429,231
2013	450,000	1,560,356	2,010,356	507,675	2,518,031
2014	550,000	1,542,356	2,092,356	508,025	2,600,381
2015	600,000	1,525,856	2,125,856	508,025	2,633,881
2016	960,000	1,501,856	2,461,856	508,375	2,970,231
2017	1,010,000	1,453,856	2,463,856	507,675	2,971,531
2018	1,055,000	1,403,356	2,458,356	508,025	2,966,381
2019	1,105,000	1,361,156	2,466,156	508,025	2,974,181
2020	1,165,000	1,305,906	2,470,906	508,375	2,979,281
2021	120,000	1,247,656	1,367,656	1,607,675	2,975,331
2022	165,000	1,241,656	1,406,656	1,569,525	2,976,181
2023	205,000	1,233,406	1,438,406	1,531,025	2,969,431
2024	155,000	1,222,900	1,377,900	1,592,795	2,970,695
2025	200,000	1,214,763	1,414,763	1,550,284	2,965,047
2026	250,000	1,204,013	1,454,013	1,508,525	2,962,538
2027	300,000	1,190,263	1,490,263	1,466,525	2,956,788
2028	305,000	1,173,388	1,478,388	1,474,680	2,953,068
2029	365,000	1,156,231	1,521,231	1,430,650	2,951,881
2030	375,000	1,135,700	1,510,700	1,437,025	2,947,725
2031	440,000	1,114,606	1,554,606	1,391,525	2,946,131
2032	490,000	1,089,856	1,579,856	1,361,057	2,940,913
2033	1,885,000	1,062,294	2,947,294		2,947,294
2034	1,995,000	956,263	2,951,263		2,951,263
2035	2,115,000	844,044	2,959,044		2,959,044
2036	2,235,000	725,075	2,960,075		2,960,075
2037	2,370,000	596,563	2,966,563		2,966,563
2038	2,515,000	460,288	2,975,288		2,975,288
2039	2,665,000	315,675	2,980,675		2,980,675
2040	2,825,000	162,438	2,987,438		2,987,438

*This table assumes a rate of 3.5% on the Series 2002 IDA Bonds, which currently bear interest at a variable rate. It excludes fees paid to the LOC Bank, the remarketing agent and other on-going costs associated with the Series 2002 IDA Bonds. Amortization of the Series 2002 IDA Bonds is based upon the IDA Reimbursement Agreement which may be modified with the consent of the Institution and the LOC Bank.

PART 4 — THE PROJECT

Proceeds from the Series 2011 Bonds (net of Costs of Issuance) will be used to finance a certain project (the “Project”) consisting of the (a) refinancing of an outstanding \$23,000,000 term loan previously made to the Institution by Wachovia Bank, National Association, the proceeds of which were used by the Institution in September 2008 to purchase the real property and improvements located at 406 East 91st Street in New York, New York on which the Institution will construct an approximately 50,000 square foot athletic facility (the “Facility”) and (b) financing certain preliminary design and planning costs relating to the Facility. While the Institution has received the customary environmental approvals with respect to the site of the Facility, the approval of a necessary special use permit for the Facility and the issuance of a building permit for the construction and renovation of the Facility are conditioned upon the completion of certain additional environmental sampling at the Facility and, if necessary, additional remedial actions by the Institution. Although the Institution will not have completed these additional environmental procedures prior to the date of delivery of the Series 2011 Bonds, the Institution is not aware of any significant risks associated with the site of the Facility, and does not believe the additional environmental procedures will result in the untimely approval of the special use permit or the issuance of a building permit.

PART 5 — ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2011 Bonds.....	\$29,470,000.00
Minus: Net Original Issue Discount.....	<u>(110,483.75)</u>
Total Sources:.....	<u>\$29,359,516.25</u>

Uses of Funds

Payment of Term Loan	\$23,000,000.00
Planning Costs of the Project.....	2,000,000.00
Deposit to Debt Service Reserve Fund	2,657,146.33
Costs of Issuance*	1,431,205.52
Underwriters’ Discount.....	<u>271,164.40</u>
Total Uses	<u>\$29,359,516.25</u>

* Includes the Bond Issuance Charge and the cost of the Bond Insurance Policy.

PART 6 — THE INSTITUTION

History of the School

The Convent of the Sacred Heart School of New York (“Sacred Heart” or the “School”) is a not-for-profit educational corporation registered with the New York State Department of Education and accredited by the New York State Association of Independent Schools (“NYSAIS”). Sacred Heart operates a non-residential school for girls, for Pre-Kindergarten through Grade 12. The School is located on the Upper East Side of Manhattan in two mansions at One East 91st Street and Seven East 91st Street. The buildings are designated New York City landmarks.

In 1800, St. Madeleine Sophie Barat founded the Society of the Sacred Heart in France, with the singular and revolutionary goal of educating women in the classic tradition. The Religious of the Society of the Sacred Heart set up residence on Mulberry Street, in New York City, in 1841, and soon opened a school on Houston Street. As growth continued over the next several years, additional moves were made within New York City, and a second school for boarders, located between the villages of Harlem and Manhattanville, was founded in 1872.

On September 21, 1881 New York's oldest independent school for girls was founded as the Academy of the Sacred Heart at 533 Madison Avenue, a prime residential area of the City at that time. By 1934, the school had outgrown its space, and the Otto Kahn building on the corner of East 91st Street and Fifth Avenue was purchased. This was followed by the purchase of the adjoining Burden mansion in 1940. Both buildings were given landmark status by the Landmarks Preservation Commission in 1974.

From its inception in 1881, the School was managed by a Board of seven Trustees, all members of the Religious of the Society of the Sacred Heart. However, with the diminution of the Religious of the Society of the Sacred Heart, the School opened the 1976-77 school year with a new form of lay leadership.

To this day, the Religious of the Society of the Sacred Heart and the School's educators continue to carry out St. Madeleine Sophie's imperative of educational excellence. They have created an international network of Sacred Heart schools, 22 in the United States and 44 internationally. Each school has its own identity, but shares in the Sacred Heart mission and is guided by the same values.

Educational Philosophy

Combining the traditions of its founders with a continuing search for excellence, Sacred Heart offers its students an environment that supports the gifts and talents of each individual, while challenging its student body as a whole to achieve superior academic results. As part of a worldwide network of Sacred Heart schools, Sacred Heart emphasizes the education of young women in all dimensions, including personal growth and moral development.

The School's philosophy emanates from the educational tradition founded in France in 1800 by St. Madeleine Sophie Barat and brought to America in 1818 by St. Phillippine Duchesne. Although this philosophy is based on Christian precepts, the School welcomes students of all faiths, and each student is made to feel an integral part of the School's life.

The School offers an academically rigorous curriculum and the students are encouraged not only to acquire the basic skills needed to continue their education, but also to gain a love of learning and the ability to apply their knowledge to moral, intellectual and social questions.

The School endeavors to develop in each student a concern for others through the sharing of experiences within the School's community, diverse in its ethnic, religious and socio-economic backgrounds. A cornerstone of the School's philosophy for more than a century has been the recognition that its students must return to their community and to society the benefits they have received by virtue of a Sacred Heart education. Therefore, students are involved in a wide variety of social service programs in New York City, including tutoring, volunteering in hospitals and settlement houses, soup kitchens, and services for the elderly. More extensive experiences in parts of the rural United States, as well as abroad, are available to older students.

Integral to the Sacred Heart mission is the development of the leadership potential of today's young women as they prepare to join tomorrow's global community.

Curriculum and Programs

Sacred Heart's curriculum is college preparatory. The School is divided into three divisions: Lower School (Junior Kindergarten through Grade Four), Middle School (Grades Five through Eight), and Upper School (Grades Nine through Twelve).

The School encourages independent thinking in a dynamic environment that begins with hands-on teaching and technology-enhanced learning in the Lower School, and concludes with college-level classes and multidisciplinary projects in the Upper School. Sacred Heart was commended by the New York State Association of Independent School as a "model of clarity and commitment" among independent schools.

The curriculum is broadly based and balanced, offering students interdisciplinary courses that promote global understanding. Committed faculty members challenge themselves and their students, emphasizing collaborative work, research skills and media literacy.

The Lower School

Instilling confidence, developing a sense of self as well as an appreciation of others, and a love of learning are primary goals in the Lower School. All academic areas are taught in the Lower School, including language arts, instruction in French and Spanish, reading, mathematics, science, religion, social studies, and technology. Classes in music, drama, art, library and physical education enrich the school experience for the girls. Average class size in the Lower School is 17; however, there is small group instruction in reading and mathematics to support classroom instruction.

In the Lower School, children learn social responsibility through age- appropriate experiences related to service and helping others. Students prepare holiday food baskets, entertain at nursing homes, support charities such as “Pennies for Peace”, and participate in Lower School drives such as “Hats” Day where each child donates a dollar to wear a hat for the children in recognition of their struggles with chemotherapy at St. Jude’s hospital.

The Middle School

Growth and transition mark the Middle School years, and the priority of building self-confidence and leadership skills continues. Abstract thinking is expected and students are challenged to take risks and solve problems resourcefully. Accessing, organizing and analyzing information is critical to the learning process, and acquiring study and research skills helps Middle School students process and retain information while learning time management, cooperative learning, team building and other skills. The goal of academic excellence provides the framework for the Middle School. The integrated core curriculum gradually increases in depth and breadth at each grade level. Maximum class size is 19, with substantially smaller classes in second languages. Small group instruction also takes place within remedial and enrichment classes.

Middle School students can participate in the school’s intramural and interscholastic sports programs. They can also select from a wide variety of electives for after-school activity. An elected student service team also plans service activities and conducts outreach efforts to help Middle Schoolers learn about the world’s needs. Community service activities include preparing an Oxfam hunger banquet, organizing clothing and food drives and participating in Santa for the Elderly.

The Upper School

In the Upper School, interdisciplinary programs combine science, math, technology, history and English, religion, arts, and languages, as students learn to analyze data, to reason deductively and inductively, and to solve problems.

A challenging curriculum of required courses and electives is designed to give students fundamental knowledge and skills, to stimulate their imaginations, and to engage them intellectually. The curriculum allows students of all learning styles to explore a variety of subject areas and to study in depth those of particular interest to them. Required courses include religion, English, science, social studies, mathematics, language, physical education, fine arts, and performing arts, with the building of technological literacy and research skills integrated into all classes.

Honors and Advanced Placement options are available beginning in the 9th and 10th grades, respectively. Students may elect to participate in an independent study involving academic analysis and/or field experience, allowing them to explore an area of individual interest through research or internship. Maximum class size is 18. Many classes are 5-12 students, allowing students to receive individualized attention.

Sacred Heart offers a comprehensive, four-year, college counseling program, beginning with formal counseling in the 9th grade for students and parents. A formal college counseling curriculum and classes begins in junior year, while evening meetings with college admissions directors and financial aid consultants provide further guidance.

After-school activities, including student government, peer support programs, forensics, Amnesty International, Model U.N., yearbook, drama, environmental club, seven publications and a variety of varsity, junior varsity and club athletics, provide opportunities for growth outside of curricular activities. Community service is also a requirement in the Upper School. Projects include volunteering in day care centers, rebuilding homes in New

Orleans, assisting in soup kitchens and working with the homeless. Sacred Heart is the only school in New York City with its own Habitat for Humanity chapter.

Governance

The Board of Trustees is organized by charter and under the auspices of the New York State Board of Regents. The Board of Trustees has the responsibility, in consultation with the Administration, for setting School policy, maintaining the School's financial health, and selecting the Head of School. Its ongoing challenge is to manage the present needs of the School while planning for the future and remaining faithful to the School's mission as expressed in the *Goals and Criteria for Sacred Heart Schools in the United States*.

The By-laws of the Board provide that Trustees shall be elected at the annual meeting from a list of individuals presented by the Committee on Trustees. Presidents of the Parents and Alumnae Associations and the Head of School are Trustees *ex officio* during their terms of office. All other Trustees may serve for two consecutive terms of three years each, unless designated as Specially Nominated Candidates. A Specially Nominated Candidate is a Trustee who has already served six or more consecutive years and would thus ordinarily be ineligible for immediate re-election, but who is proposed for further service and approved by at least 2/3 of the voting Trustees.

The Board of Trustees is composed of no less than fifteen members. Currently, there are 30 members, including *ex officio*. At least three members of the Board must be members of the Society of the Sacred Heart.

The Board operates through a series of standing committees. There are typically at least five Trustees on each committee. Some committees also include administration members, non-trustee parents and others. Each Board member serves on at least one Board Committee and most members serve on more than one.

The full Board currently meets five times during the school year and each committee meets at least three times per year, but most meet more frequently. As is usual in independent schools, the Board is self-perpetuating, with the Trustees selecting their own successors. Criteria to be considered include diversity of talent and background, willingness to serve and perform the duties required, prior efforts on behalf of Sacred Heart and conformance to the guidelines as set forth in the By-laws.

Information regarding the current Trustees is set forth in the table below.

**Convent of the Sacred Heart Board of Trustees
as of October 21, 2010**

Trustee	Occupation
Laurie H. Lapeyre, Chair	Former, VP, Goldman, Sachs & Co.; Former, Executive Search Consultant
L. Kevin Sheridan, Jr., Vice Chair	Partner, Bingham McCutchen LLP
Caroleen Mackin, Vice Chair	Former, VP Global Marketing & Advertising, L'Oreal USA's, Ralph Lauren Fragrance
Joseph J. Ciancaglini	Head of School, Convent of the Sacred Heart
Veronica DeBerardine Bennett	Former, Counsel, Shearman & Sterling
Eric Bischoff	Former Owner, Boars Head Provisions/Frank Brunckhorst Co.
Mary Anne Boyd, Secretary	Retail Business Owner
Elisabeth Brinkmann, rscj	Professor, College of New Rochelle
Andrew Conner	SVP, Paramount Group, Inc.
Margaret Crotty	Director, EVERY ONE, International Save the Children Alliance
Michael Esposito, Treasurer	Partner, Goldman, Sachs & Co.
Judith Garson, rscj	Asst. NGO Representative of the Society of the Sacred Heart at the United Nations.
Carlos Guimaraes	Chairman, Latin American Investment Group
Rita Hernandez	Deputy General Counsel, Ernst & Young LLP
Philippe Laffont	Founder, Coatue Management
Sacha Lainovic	Managing Director, Invus Financial Advisors, LLC
Rebecca Lainovic, President of Parents Association, <i>ex officio</i>	Former, Investment Banker, The Bank of Nova Scotia
Richard Medley	Chairman, Medley Capital Management
Cecile Meijer, rscj	Main NGO Representative of the Society of the Sacred Heart at the United Nations
Tarek Mequid	Partner, Perella Weinberg Partners
Greg Meredith	Managing Director and Head, Proctor NBF Capital Partners
Clarke Murphy	Global Leader, CEO & Board Services Practice, Russell Reynolds Associates
Maureen Meehan O'Leary	Philanthropist; Social Worker
Eileen Patrick	Head of Business Development and Corporate Strategy, Apollo Investments
Brian Riano	CIO, Claren Road Asset Management
Bradley A. Robins	Managing Director, Greenhill & Co.
Richard E. Thornburgh	Vice Chairman, Corsair Capital
Alexandra Vulliez, President of Alumnae Association, <i>ex officio</i>	Former, In house counsel, RD Management
Tom Wall	Principal, Kelso & Co.
Joseph A. Wilson	Assistant Attorney General, State of New York

Accreditations and Affiliations

Sacred Heart is accredited by the New York State Association of Independent Schools and is affiliated with the following organizations:

- Network of Sacred Heart Schools
- National Association of Independent Schools
- New York State Association of Independent Schools
- National Coalition of Girls Schools
- Association for Supervision and Curriculum Development

- Guild of Independent Schools
- Early Steps
- Independent Schools Admissions Association of Greater New York (ISAAGNY)
- The Oliver Program
- The Teak Program
- Prep for Prep
- The Council for Advancement and Support of Education (CASE)
- Association of Fundraising Professionals (AFP)

Administration

The principal administrative personnel of the School and their respective backgrounds are as follows:

Dr. Joseph Ciancaglino, Head of School. Dr. Joseph Ciancaglino joined Sacred Heart as Head of School in 2007, and is now completing his 36th year as a teacher and administrator. Prior to joining Sacred Heart, Dr. Ciancaglino served as Headmaster of Gonzaga College High School in Washington, D.C. for 13 years, and Director of Schools at Sacred Heart Schools, Atherton, California, for 7 years. He currently serves on the Board of Sacred Heart, Greenwich, and in 2010 was elected by the membership of the Network of Sacred Heart Schools to serve as Chair of the Network's Board of Directors. Dr. Ciancaglino holds a BA and MA in Philosophy from Georgetown, a Masters in Counseling from Boston University and a Doctorate in Educational Administration from Teachers College, Columbia University.

Craig MacPherson, Director of Institutional Advancement. Craig MacPherson has 17 years experience in fundraising for independent schools and has served for the last 9 years as the Director of Institutional Advancement at Sacred Heart. He is a Certified Fund Raising Executive and has led the school through two capital campaigns. Mr. MacPherson is also the Dean of Advancement Directors in the Sacred Heart Network of Schools. Mr. MacPherson holds a BA from Hunter College and serves on the Board of the Hunter College Foundation.

Jennifer Neren, Chief Financial Officer. Jennifer Neren began working with Sacred Heart as a financial and strategic advisor in 2008, and joined the school as Chief Financial Officer in 2009. Prior to joining Sacred Heart, she was an investment professional with Proctor NBF Capital, served as a strategist for the Citigroup Private Bank, and was a management consultant with McKinsey & Company. She began her career with NationsBanc Capital Markets, now Banc of America Securities. Ms. Neren holds an MBA from The Wharton School and BSM from Tulane University.

Carl Schellhorn, Chief Administrative Officer. Carl Schellhorn has served as Sacred Heart's Chief Administrative Office for the last 5 years. Mr. Schellhorn oversees the school's business operations, as well as its technology and human resource efforts. He has also taught Finance and Economics courses at the university level and is now in his 38th year in finance and administration. Mr. Schellhorn holds an MBA and a BA from Cornell University.

Ken Hamilton, Director of Operations. Ken Hamilton joined Sacred Heart in the spring of 2010. Prior to joining Sacred Heart, Mr. Hamilton served as Vice President of Property and Facility Management at the Audubon Society for 15 years. He is a member of the Building Owners and Managers Association, and the International Facility Managers Association. Mr. Hamilton holds a BA in Communications from Fordham University.

Elizabeth Santini, Director of Admissions. Elizabeth Santini began serving as Director of Admissions in July of 2010. Prior to transitioning to her current role, Ms Santini spent the prior two years as Communications Director at Sacred Heart. Before joining the School, Ms. Santini developed marketing and trading platforms for F&V Capital, an investment boutique in Midtown Manhattan. Prior to that, she spent over six years working for Deutsche Bank, with the last four as a Vice President on the structured products trading desk. Ms. Santini holds a BA from Trinity College and is a Sacred Heart alumna.

Faculty and Staff

There are currently 77 full-time and 3 part-time faculty at Sacred Heart. Additional instructional support staff includes a nurse, nine teacher assistants, three teacher aides, five remedial specialists, four librarians, two psychologists and a social worker. Sacred Heart also employs 19 administrators, including the Business Administration, College Guidance, Library Director, Dean of Students, Director of Technology, Academic Deans,

and Director of Operations. Approximately 66% of the full-time faculty hold advanced degrees and 55% have taught at Sacred Heart for over five years. There is no system of tenure at Sacred Heart; faculty members receive one year appointments. The 2009-10 median salary for full time faculty members is \$70,101. No School employees are unionized, and the School believes its relationship with its employees is excellent.

Student Enrollments

Sacred Heart's enrollment for the current year and the preceding four years is listed below:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008 - 2009</u>	<u>2009 - 2010</u>	<u>2010-2011</u>
<u>Lower School</u>					
Pre-Kindergarten	13	14	13	18	15
Junior Kindergarten	17	17	18	17	18
Kindergarten	54	54	55	59	53
Grade 1	52	50	51	52	55
Grade 2	50	51	49	49	52
Grade 3	50	50	49	48	51
Grade 4	<u>52</u>	<u>51</u>	<u>44</u>	<u>51</u>	<u>49</u>
Total	288	287	279	294	293
<u>Middle School</u>					
Grade 5	45	51	51	42	52
Grade 6	50	44	50	50	42
Grade 7	<u>47</u>	<u>50</u>	<u>45</u>	<u>51</u>	<u>51</u>
Total	142	145	146	143	145
<u>Upper School</u>					
Grade 8*	47	43	51	44	53
Grade 9	55	52	59	59	52
Grade 10	53	51	50	55	51
Grade 11	44	50	49	47	50
Grade 12	<u>44</u>	<u>45</u>	<u>50</u>	<u>49</u>	<u>47</u>
Total	243	241	259	254	253
Total Enrollment	673	673	684	691	691

* Beginning with the 2010-2011 school year, Grade 8 is part of the Middle School

Competition

Sacred Heart's primary Lower and Middle School market is families on the Upper East and West Sides of Manhattan, with some students from other parts of Manhattan. In the Upper School, students come from every borough of New York City, and a number commute from New Jersey, Long Island and Westchester.

Sacred Heart's primary competition comes from five girls' schools on the Upper East Side of Manhattan, Marymount, Brearley, Chapin, Spence and Nightingale-Bamford, as well as from the coed schools of Trinity, Dalton, Horace Mann, Riverdale and Ethical Culture.

College Enrollment

Over the last three years, 100% of Sacred Heart graduates have continued their education in colleges and universities. Approximately 70% of seniors are accepted by their first choice colleges, and more than 25% of each senior class is awarded early acceptance to the nation's top universities. Every year, Sacred Heart students are cited as National Merit and Commended National Merit Scholars, and consistently win summer research grants and

scholarships at institutions, including Rockefeller University, Cooper Union and the American Museum of Natural History.

Tuition and Fees

Listed below is the schedule of tuition (including fees) of the School for the current year and four years previous:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Pre-Kindergarten	\$15,210	\$15,975	\$16,855	\$17,530	\$18,375
Junior Kindergarten	\$20,025	\$21,025	\$22,180	\$23,070	\$24,175
Kindergarten	\$29,000	\$30,450	\$32,125	\$33,410	\$35,010
Grades: 1-4	\$29,500	\$30,975	\$32,680	\$33,985	\$35,615
Grades: 5-12	\$29,500	\$30,975	\$32,680	\$33,985	\$35,615

Financial Aid

Sacred Heart seeks highly qualified candidates from diverse backgrounds, regardless of need. While all families support the School through tuition, Sacred Heart's strong commitment to financial aid offers approximately 18% of its student body some financial assistance. Financial aid is awarded to students with strong academic promise and clear financial need. All financial aid is based on established need and is awarded to students in good standing. Sacred Heart does not discriminate on the basis of race, color, national or ethnic origin in the administration of its financial aid.

The table below highlights financial aid statistics for the current year and the four preceding years:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Tuition and Fees	\$18,838,800	\$19,842,390	\$21,245,976	\$22,163,900	\$23,350,621
Financial Aid Awards	\$2,001,337	\$2,325,403	\$2,618,624	\$2,885,708	\$3,078,649
% Fin. Aid to Tuition	10.62%	11.72%	12.33%	13.02%	13.18%
Total Enrollment	673	673	684	691	691
# Students Fin. Aid	104	111	115	123	122
% Students Fin. Aid	15.50%	16.49%	16.84%	17.83%	17.66%
Tuition	\$29,500	\$30,975	\$32,680	\$33,985	\$35,615
Average Grant as % of Tuition	65.23%	67.63%	69.68%	69.03%	70.85%
% Aid Recipients w/ Grants > 50% Tuition	74%	83%	85%	74%	81%

Financial Statements

The School operates on a fiscal year ending June 30. Its financial statements are prepared in accordance with auditing standards generally accepted in the United States of America. Sacred Heart's financial statements for the fiscal years ended June 30, 2010 and June 30, 2009, with the report of the School's independent auditor, EisnerAmper LLP (formerly known as Eisner LLP), are presented as Appendix B to this Official Statement. The table below sets forth the unrestricted revenues and expenses for the last five fiscal years.

	Fiscal Year Ended June 30,				
	(Unrestricted)				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Support and revenue:					
Tuition and fees	\$17,111,742	\$18,838,800	\$19,842,390	\$21,245,976	\$22,163,900
Summer and after-school programs	717,189	728,059	846,547	879,218	925,802
Auxiliary activities	800,623	867,295	921,183	966,453	1,014,520
Contributions - Annual Fund	2,185,140	2,262,182	2,415,417	2,105,842	2,179,379
Contributions - Unrestricted Capital Campaign	161,788	249,367	69,493	572,179	1,067,051
Special event income	552,782	979,300	982,513	657,125	938,359
Interest and dividends	721,628	842,241	918,537	594,081	239,699
Net realized gains (losses) on investments	1,726,977	2,116,686	1,192,828	(2,682,267)	468,297
Unrealized appreciation (depreciation) on investments	(216,340)	1,429,697	(2,246,743)	(5,169,379)	679,556
Facilities rental	237,943	97,461	136,750	957,530	1,392,960
Other income	78,331	132,072	152,365	186,409	125,927
Net assets released from restriction	<u>1,939,882</u>	<u>1,019,801</u>	<u>583,090</u>	<u>763,879</u>	<u>3,020,353</u>
Total support and revenue	\$26,017,685	\$29,562,961	\$25,814,370	\$21,077,046	\$34,215,803
Expenses:					
Program services:					
Instructional and related costs	\$10,583,239	\$11,218,468	\$13,050,290	\$13,243,714	\$13,976,063
Financial Aid	1,834,431	2,001,337	2,325,403	2,618,624	2,885,708
Summer and after-school programs	<u>439,378</u>	<u>460,324</u>	<u>551,584</u>	<u>618,387</u>	<u>636,607</u>
Total Program services	\$12,857,048	\$13,680,129	\$15,927,277	\$16,480,725	\$17,498,378
Operations and maintenance	\$3,661,866	\$4,705,480	\$5,184,518	\$5,650,652	\$6,363,448
General and administrative	3,498,470	3,638,551	3,705,145	4,062,044	4,190,833
Fund-raising	1,077,122	1,246,066	1,272,582	1,460,085	1,560,237
Interest expense	456,821	539,844	422,848	691,874	525,329
Facilities rental	<u>106,227</u>	<u>29,789</u>	<u>45,001</u>	<u>50,790</u>	<u>43,145</u>
Total General and other expenses	\$8,800,506	\$10,159,730	\$10,630,094	\$11,915,445	\$12,682,992
Total expenses	\$21,657,554	\$23,839,859	\$26,557,371	\$28,396,170	\$30,181,370
Change in unrestricted net assets	\$4,360,131	\$5,723,102	(\$743,001)	(\$7,319,124)	\$4,034,433
Unrestricted net assets at beginning of year	<u>38,341,272</u>	<u>42,701,403</u>	<u>48,424,505</u>	<u>47,681,504</u>	<u>40,362,380</u>
Unrestricted net assets at end of year	\$42,701,403	\$48,424,505	\$47,681,504	\$40,362,380	\$44,396,813

Annual Budgeting

Beginning in December of each year, senior administrators, faculty and staff, under the guidance of the Head of School and the Chief Financial Officer ("CFO"), prepare preliminary budgets for their respective departments for the fiscal year beginning July 1st of the following year. Based on these preliminary budgets, current and prior years operating data, and financial assumptions based on historical data from other independent schools, the CFO prepares

a consolidated budget that is presented to the Senior Administrative Committee and Head of School for approval. The budget is then presented for approval to the Finance Committee of the Board of Trustees. Upon approval of the Finance Committee, the budget is presented to the Board of Trustees (generally in February) for approval as the budget for the following fiscal year.

The approved budget is used to set tuition rates, aggregate financial aid awards, salary and benefit adjustments and other parameters for the School's operation. In the fall, the beginning of the academic year, the CFO revises the budget to reflect actual enrollment and staffing information. The revised budget is presented for approval to the Finance Committee, and upon approval, to the Board of Trustees as the final revised budget.

During the fiscal year, actual results versus budget are monitored and reviewed by the CFO. Interim results are reported to the Head of School and Administrative Committee, as well as to the Finance Committee of the Board of Trustees, on a monthly basis. Reports are also made to the Board of Trustees at its regular meetings. The Audit Committee of the Board of Trustees meets with the School's outside auditors each year to review the results of the audit and the auditor's recommendations on internal controls.

Endowment

After a draw of \$1,260,543 for the 2009-10 fiscal year, the value of the School's long-term endowment investments as of June 30, 2010 was \$29,308,698.

This figure is comprised of the following:

Board Designated Endowment	\$15,490,392
Permanently Restricted Fund	<u>13,818,306</u>
Total Endowment Fund	<u>\$29,308,698</u>

The School's Investment Policy Statement details oversight and management of the School's investment portfolio. The Endowment Fund's investment objective is to preserve its purchasing power, while providing a continuing and stable funding source to support The Convent of the Sacred Heart program. To accomplish this objective, the Endowment Fund seeks to generate a total return that will exceed not only its operating expenses as an Endowment Fund, but also all expenses associated with managing the Endowment Fund and the eroding effects of inflation. It is the intention that all total return (interest income, dividends, realized gains, and unrealized gains), above and beyond the amount approved for expenditure or distribution, be reinvested in the Endowment Fund. The Endowment Fund is managed on a total return basis, consistent with the applicable standard of conduct set forth in the Uniform Prudent Management of Institutional Funds Act.

The Investment Committee works with independent investment consultant Prime Buchholz to manage and monitor the School's endowment investments, and regularly reviews the allocation of assets in the investment portfolios as well as the performance of the Endowment Fund's investment managers.

The School has a policy of appropriating for distribution each year an amount equal to the lower of 5% of the average fair market value of its Endowment Fund calculated over 12 prior quarters or 5% of the Endowment Fund's current fair market value as of a point in time determined by the Board of Trustees.

Development and Fundraising

The School's Development Office is responsible for all fundraising activities, as well as all marketing and public relations for the school. The Development Office consists of eight full-time members and one part-time member. The Director of Institutional Advancement, Craig MacPherson, works closely with the Advancement Committee of the Board of Trustees and the Capital Campaign Committee in implementing *The Campaign for Sacred Heart*. The Office also works closely with the Parents' Association and the Alumnae Association. The Development Office oversees the following:

Gifts to Current Operations Fund

Each year, an annual fund goal is set by the Advancement Committee of the Board and presented to the Finance Committee of the Board. The Board of Trustees then approves the budget for the next fiscal year. An annual campaign is planned by the Advancement Office and includes a printed appeal, segmented mailings, parent and alumnae phonathons and follow-up appeal letters. Parent and alumnae volunteers are trained as solicitors by the Advancement Office and encourage their constituents to participate in annual giving. Over the last five years, parent participation has averaged 85%, and alumnae participation has averaged 32%. The annual giving program remains strong and consistent, with figures for the past ten years as follows:

<u>Year</u>	<u>Amount</u>
2000-2001	\$1,546,479
2001-2002	1,619,088
2002-2003	1,651,989
2003-2004	1,863,261
2004-2005	1,967,938
2005-2006	2,185,140
2006-2007	2,262,182
2007-2008	2,415,417
2008-2009	2,105,842
2009-2010	2,179,379

In addition to the annual giving, each year a fundraising benefit gala is held in the spring. For the last five years, the benefit has netted an average of \$658,606 per year for the operating budget.

Campaign for Sacred Heart

The Campaign for Sacred Heart is a five-year capital effort with major gift and general gift components. The Campaign is overseen by Sacred Heart's Board of Trustees and administered by the Director of Institutional Advancement and Director of Major Gifts. The Campaign began on July 1, 2008 and is expected to conclude June 30, 2013. Pledges may be fulfilled on a three- to five-year payment schedule.

Pension Plans and Benefits

The School has a noncontributory, defined contribution 403(b) pension plan and a contributory, tax-deferred annuity plan covering most salaried employees. Participation by the employees in the tax-deferred annuity plan is voluntary. The plans are currently funded through the purchase of individual annuities issued to each participant by Teachers Insurance and Annuity Association and/or College Retirement Equities Fund. The School's contribution to the plans amounted to \$731,907 and \$682,212 for the fiscal years 2010 and 2009, respectively.

In addition, the School has undertaken to provide certain retirement benefits for certain employees supplemental to the aforementioned plans. Payments made to such retired employees were \$1800 for each of the fiscal years 2010 and 2009.

Full-time employees receive full health benefits, including major medical and dental coverage. Such coverage is fully paid for by the School for the employee; additional family coverage, if desired, is paid partially by the employee and partially by the School. The School also provides fully paid life insurance, as well as short- and long-term disability coverage.

Insurance

The School carries blanket building and personal property coverage of \$40,286,606 and additional façade coverage of \$11,127,810 on the 1 and 7 East 91st Street buildings, and blanket building and personal property coverage of \$7,100,048 on the 406 East 91st Street building. Liability insurance with substantial limits of liability is also purchased to protect the School and its Trustees and officers against third-party claims and suits.

Litigation

Sacred Heart is not aware of any litigation pending or threatened wherein an unfavorable decision would have a materially adverse effect on the financial condition, property or operations of the School or the Project.

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 December 31, 2010, the Authority had approximately \$43.3 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 December 31, 2010 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	\$ 2,478,656,000	\$ 1,139,920,000	\$ 0	\$ 1,139,920,000
State University of New York Educational and Athletic Facilities	14,369,077,999	6,486,831,657	0	6,486,831,657
Upstate Community Colleges of the State University of New York.....	1,644,630,000	693,095,000	0	693,095,000
Senior Colleges of the City University of New York	10,799,906,762	3,602,086,213	0	3,602,086,213
Community Colleges of the City University of New York	2,548,418,350	542,633,787	0	542,633,787
BOCES and School Districts	2,785,881,208	2,094,945,000	0	2,094,945,000
Judicial Facilities	2,161,277,717	692,952,717	0	692,952,717
New York State Departments of Health and Education and Other.....	6,713,455,000	4,639,840,000	0	4,639,840,000
Mental Health Services Facilities	8,306,980,000	4,102,250,000	0	4,102,250,000
New York State Taxable Pension Bonds....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	<u>1,146,845,000</u>	<u>760,220,000</u>	<u>0</u>	<u>760,220,000</u>
Totals Public Programs.....	<u>\$53,728,603,036</u>	<u>\$24,754,774,374</u>	<u>\$ 0</u>	<u>\$24,754,774,374</u>
Non-Public Programs				
Independent Colleges, Universities and Other Institutions.....	\$19,855,389,952	\$10,389,780,083	\$30,730,000	\$10,420,510,083
Voluntary Non-Profit Hospitals.....	14,562,754,309	7,382,330,000	0	7,382,330,000
Facilities for the Aged	2,010,975,000	755,570,000	0	755,570,000
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>\$36,524,119,261</u>	<u>\$18,527,680,083</u>	<u>\$30,730,000</u>	<u>\$18,558,410,083</u>
Grand Totals Bonds and Notes	<u>\$90,252,722,297</u>	<u>\$43,282,454,457</u>	<u>\$30,730,000</u>	<u>\$43,313,184,457</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At December 31, 2010, the Agency had approximately \$303.5 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 December 31, 2010 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	<u>\$ 3,817,230,725</u>	<u>\$ 0</u>
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program....	\$ 226,230,000	\$ 2,480,000
Insured Mortgage Programs	6,625,079,927	294,625,000
Revenue Bonds, Secured Loan and Other Programs ...	<u>2,414,240,000</u>	<u>6,380,000</u>
Total Non-Public Programs	<u>\$ 9,265,549,927</u>	<u>\$ 303,485,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 303,485,000</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 and Chief Financial Officer of 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. 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 assets 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 expires on March 31, 2011.

CHARLES G. MOERDLER, Esq., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. By appointment of the Appellate Division, First Department, Mr. Moerdler serves as Vice Chair of the Committee on Character and Fitness and as a Member of the Departmental Disciplinary Committee. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation as well as the Metropolitan Transportation Authority and is a member of the New York City Board of Collective Bargaining. He holds a Bachelors of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's term expired on August 31, 2010 and by law he continues to serve until a successor shall be chosen and qualified.

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.

DAVID M. STEINER, Ph.D., *Commissioner of Education of the State of New York, Albany; ex-officio.*

David M. Steiner was appointed by the Board of Regents as President of the University of the State of New York and Commissioner of Education on October 1, 2009. Prior to his appointment, Dr. Steiner served as the Klara and Larry Silverstein Dean of the School of Education at Hunter College CUNY. Prior to his time with Hunter College, Dr. Steiner served as Director of Arts Education at the National Endowment for the Arts and Chairman of the Department of Education Policy at Boston University. As Commissioner of Education, Dr. Steiner serves as chief executive officer of the Board of Regents, which has jurisdiction over the State’s entire educational system, which includes public and non-public elementary, middle and secondary education; public and independent colleges and universities; museums, libraries and historical societies and archives; the vocational rehabilitation system; and responsibility for licensing, practice and oversight of numerous professions. He holds a Doctor of Philosophy in political science from Harvard University and a Bachelor of Arts and Master of Arts degree in philosophy, politics and economics from Balliol College at Oxford 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.

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

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 20 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.

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 2011 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, 2010. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 8 — LEGALITY OF THE SERIES 2011 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2011 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 2011 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 2011 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 2011 Bonds.

PART 10 — TAX MATTERS

Federal Income Taxes

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, and assuming compliance with the representations, certifications and covenants described in the immediately succeeding paragraph, interest on the Series 2011 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"). Furthermore, Bond Counsel is of the opinion that interest on the Series 2011 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2011 Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2011 Bonds should consult with their tax advisors regarding the computation of any alternative minimum tax liability.

The Series 2011 Bonds maturing on November 1, 2011 through 2017, inclusive, and November 1, 2019 through 2021, inclusive (collectively, the "Premium Bonds"), are being reoffered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of

owning such Series 2011 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

The difference between the principal amount of the Series 2011 Bonds maturing on November 1, 2018 and November 1, 2022 through 2040, inclusive (collectively, the “Discount Bonds”), and the initial reoffering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that an owner’s adjusted basis of a Discount Bond acquired at such initial reoffering price will be increased by the amount of such accrued original issue discount for purposes of determining an owner’s gain or loss on the disposition of a Discount Bond.

The Code establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2011 Bonds in order that interest on the Series 2011 Bonds be and remain excluded from gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2011 Bonds, restrictions on the investment of bond proceeds and other moneys or properties, required ownership of the facilities financed by the Series 2011 Bonds by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2011 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2011 Bonds irrespective of the date on which such noncompliance occurs. In the Resolutions and the Loan Agreement and accompanying documents, exhibits and certificates, the Authority and the Institution have made certain representations and certifications, and have covenanted to comply with certain procedures, designed to assure compliance with the requirements of the Code. In rendering the above-described opinion, Bond Counsel has assumed the accuracy of such representations and certifications and the continuing compliance by the Authority and the Institution with such covenants.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2011 Bonds. The proposed form of approving opinion of Bond Counsel is attached to this Official Statement as Appendix E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2011 Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2011 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of collateral federal income tax consequences of acquiring or holding the Series 2011 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2011 Bonds, (ii) interest on the Series 2011 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2011 Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2011 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2011 Bonds.

Certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the Series 2011 Bonds, or the interest thereon, if any such change occurs or actions are taken upon the advice or approval of bond counsel other than Harris Beach PLLC.

State and Local Income Tax

Bond Counsel is also of the opinion that under existing statutes, including the Act, interest on the Series 2011 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

Any noncompliance with the Federal income tax requirements set forth above would not, however, affect the exemption of interest on the Series 2011 Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2011 Bonds.

Interest on the Series 2011 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion, however, as to the tax treatment of the Series 2011 Bonds under other state or local jurisdictions. Each purchaser of Series 2011 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2011 Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2011 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011 Bonds.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2011 Bonds to be subject to federal, State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including but not limited to the promulgation of a regulation or ruling, or the selection of the Series 2011 Bonds for audit examination or the course or result of an audit examination of the Series 2011 Bonds or of obligations which present similar tax issues, will not affect the market price or marketability of the Series 2011 Bonds. Prospective purchasers of the Series 2011 Bonds should consult their own tax advisors regarding the forgoing matters.

All quotations from and summaries and explanations of provisions of law do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2011 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2011 BONDS.

PART 11 — STATE NOT LIABLE ON THE SERIES 2011 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 2011 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 2011 Bonds by the Authority are subject to the approval of Harris Beach PLLC, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2011 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institution by its Counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their 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 2011 Bonds or questioning or affecting the validity of the Series 2011 Bonds or the proceedings and authority under which they are to be issued.

PART 14 — UNDERWRITING

Wells Fargo Bank, National Association, as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Series 2011 Bonds from the Authority at an aggregate purchase price of \$29,088,351.85 (representing the aggregate principal amount of the Series 2011 Bonds, less the Underwriters' Discount of \$271,164.40 and the Original Issue Discount of \$110,483.75) and to make a public offering of Series 2011 Bonds at prices that are not in excess of the public offering prices stated on the cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2011 Bonds if any are purchased.

The Series 2011 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), the lead underwriter of the Series 2011 Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Series 2011 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2011 Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

A portion of the proceeds of the Series 2011 Bonds will be used to pay off a term loan made to the Institution by Wachovia Bank, National Association in September of 2008. The proceeds of such term loan were used by the Institution to purchase the real property on which the Institution will construct the Facility. In December of 2008 Wachovia Bank, National Association was acquired by Wells Fargo Bank, National Association.

PART 15 — CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), the Institution has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 150 days after the end of each fiscal year, commencing with the fiscal year of the

Institution ending June 30, 2011, for electronic filing by DAC with the Municipal Securities Rulemaking Board (“MSRB”) and its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in “PART 6 - THE INSTITUTION” of this Official Statement (the “Annual Information”), together with the Institution’s annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for electronic filing with the MSRB.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Institution, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Institution and the Authority, to electronically 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 Institution, with the MSRB.

The Institution also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). In addition, the Authority and the Trustee have undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will electronically file the Notices with the MSRB in a timely manner. With respect to the Series 2011 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 Institution 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 Institution, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the Holders of the Series 2011 Bonds or any other party. DAC has no responsibility for the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution, the Trustee and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority’s disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in “PART 6 - THE INSTITUTION” relating to: (1) *student enrollment*, similar to that set forth in the table under the subheading “Student Enrollment;” (2) *tuition and other student charges*, similar to that set forth in the table under the subheading, “Tuition and Fees;” (3) *financial aid*, similar to that set forth in the table under the subheading, “Financial Aid;” (4) *faculty*, similar to that set forth under the subheading, “Faculty and Staff;” (5) *employee relations*, including material information about union contracts, if any, and, unless such information is included in the Audited Financial Statements, retirement plans; (6) *investments*, similar to that set forth under the subheading “Endowment,” unless such information is included in the Audited Financial Statements; and (7) *fundraising*, similar to that set forth in the table under the subheading, “Development and Fundraising,” unless such information is included in the Audited Financial Statements; together with (b) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Institution and in judging the financial and operating condition of the Institution.

The Notices include notices of any of the following events with respect to the Series 2011 Bonds to be provided in a timely manner not in excess of ten (10) business days after the occurrence of the event: (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 Series 2011 Bonds, or other material events affecting the tax status of the Series 2011 Bonds; (7) modifications to the rights of holders of the Series 2011 Bonds, if material; (8) bond calls, if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2011 Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Institution; (13) the consummation of a merger, consolidation, or acquisition involving the Institution or the sale of all or substantially all of the assets of the Institution, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and (14) 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 2011 Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the Institution, the Trustee and/or the Authority, and no person, including any Holder of the Series 2011 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the Institution may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2011 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2011 Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2011 Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2011 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2011 Resolutions or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2011 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2011 Bonds will be on file at the principal office of the Authority.

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

PART 16 — RATING

The Series 2011 Bonds are expected to be rated "AA+" by Standard & Poor's Ratings Services ("S&P"), with the understanding that, upon delivery of the Series 2011 Bonds, the Policy will be issued by the Insurer. On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") requesting comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments. The Series 2011 Bonds have been assigned an underlying rating of "BBB+" (stable outlook) by S&P. Such ratings reflects only the views of S&P. An explanation of the significance of such ratings should be obtained from S&P. There is no assurance that such ratings will prevail for any given period of time or that such ratings will not be changed or withdrawn by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of each such ratings may have an adverse effect on the market price of the Series 2011 Bonds.

PART 17 — 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 2011 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2011 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2011 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 Institution was supplied by the Institution. 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.

The information under the heading in "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Bond Insurance" and in "Appendix F – Specimen Municipal Bond Insurance Policy" was supplied by the Insurer. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever to the accuracy or completeness of this information.

"Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix E - Form of Approving Opinion of Bond Counsel" have been prepared by Harris Beach PLLC, New York, New York, Bond Counsel to the Authority.

"Appendix B - Financial Statements of The Convent of the Sacred Heart School of New York and Independent Auditors' Report" contains the financial statements of the Institution as of and for the years ended June 30, 2010 and 2009 which have been audited by Eisner LLP, independent accountants as stated in their report appearing therein.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Estimated Sources and Uses of Funds, the Project and Appendix B. The Institution, as a condition to issuance of the Series 2011 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 Institution has agreed to indemnify the Authority, the Underwriters and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

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

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Appendix A
Certain Definitions

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CERTAIN DEFINITIONS

In addition to the other terms defined in the Official Statement, when used in the summaries of certain provisions of the Resolution, the Series 2011 Resolution and the Loan Agreement, the following terms have the meanings ascribed to them below.

Account Control Agreement means the Deposit Account Control Agreement, dated the dated of delivery of the Series 2011 Bonds, by an among First Republic Bank, as depository bank, U.S. Bank National Association, as Collateral Agent, and the Institution governing the administration and control of the Pledged Revenues in accordance with the Intercreditor Agreement following an Event of Default by the Institution.

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 Consolidation Act, being Title 4-B of Article 8 of the Public Authorities Law of the State.

Annual Administrative Fee means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority in an amount more particularly described in Schedule A to the Loan Agreement.

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 to such Bond 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 attributable to the issuance of the Bonds, as more particularly described in Schedule B attached to the Loan Agreement.

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

Authorized Officer means (i) in the case of the Authority, the Chair, the Vice-Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the President, the Vice President, the Chief Financial Officer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction

and the 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, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, an Authorized Signatory, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee

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

Bond Counsel means Harris Beach PLLC, or an attorney or other 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 Insurance Policy means the municipal bond insurance policy, if any, issued by a Provider to additionally secure the payment of principal and Sinking Fund Installments of and interest on all or a portion of the Series 2011 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 a Series Resolution as it may be amended from time to time.

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

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

Book Entry Bond means a Bond of a Series authorized to be issued, 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.

Campaign Collections means, for purposes of Section 10 of the Loan Agreement, the term as used in the statement of Accumulated Cash Balances collected for the construction of the Project (Not in Audit).

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.

Cash means, for purposes of Section 10 of the Loan Agreement, the term as used in the Cash and Cash Equivalents Statement of Financial Position from Audited Financials.

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 entered into in connection with the issuance of the Bonds, by and among the Authority, the Institution and the Trustee, or such other parties thereto 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 Reserve Fund Facility, Credit Facility, a Liquidity Facility or an Interest Rate Exchange 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 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, municipal bond insurance policy, 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 means without duplication, all obligations of the Institution for borrowed money recorded or required to be recorded as liabilities on the statement of financial position thereof for the payment of moneys incurred or assumed by the Institution as determined in accordance with generally accepted accounting principles in effect as of the date of the Loan Agreement (exclusive of reserves such as those established for deferred taxes).

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

Debt Service Reserve Fund means a reserve fund, if any, for the payment of the principal and Sinking Fund Installments of and interest on a Series of Bonds so designated, created and established by the Authority by or pursuant to a Series Resolution.

Debt Service Reserve Fund Requirement means the amount of moneys required to be on deposit in the Debt Service Reserve Fund, if any, as determined in accordance with the Series Resolution pursuant to which such Debt Service Reserve Fund has been established.

Defeasance Security means:

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

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

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

provided, however, that such term shall not include (1) any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

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

Depreciation Expense means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Cash Flows from Audited Financials.

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) any other Permitted Investments acceptable to the Rating Service(s).
- (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.

Federal Agency Obligation means:

- (i) an obligation issued by any federal agency or instrumentality approved by the Authority;
- (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;
- (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and
- (iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Fiscal Year means a twelve (12) month period beginning on July 1 of a calendar year and ending on the June 30 of the next succeeding calendar year, or such other twelve (12) month period as the Institution may elect as its fiscal year.

Government Obligation means:

- (i) a direct obligation of the United States of America;
- (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;
- (iii) an obligation to which the full faith and credit of the United States of America are pledged;
- (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and
- (v) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

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

Institution means The Convent of the Sacred Heart School of New York, a not-for-profit education corporation duly incorporated and existing under the laws of the State of New York

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

Insurer means Assured Guaranty Municipal Corp., a New York Stock insurance company, and any successors or assigns.

Insurer's Consent means as of any particular date of determination the written consent of the Insurer.

Intercreditor Agreement means the Intercreditor Agreement, dated the date of delivery of the Series 2011 Bonds, by and between the Authority, the Trustee, the Insurer and First Republic Bank, as letter of credit provider for the IDA Bonds, as such agreement may be amended from time to time.

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 November 1 and May 1 of each Bond Year.

Interest Expense means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Cash Flows from Audited Financials.

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.

Investments means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Financial Position from Audited Financials.

Letter of Representation means the Letter of Representation of the Institution, dated the date of the sale of the Bonds, addressed to the Authority and the Underwriter.

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 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 a Loan Agreement, between the Authority and the Institution in connection with the issuance of a Series of Bonds, as the same from time to time shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

LOC Bank means, in connection with the IDA Bonds, the provider of the letter of credit securing the IDA Bonds.

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

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

Moody's means Moody's Investors Service, Inc. or its successors or assigns.

Mortgage means a mortgage, if any, granted by the Institution to the Authority in connection with the issuance of a Series of Bonds, in form and substance satisfactory to an Authorized Officer of the Authority, on property described in such Mortgage as security for the performance of the Institution's obligations under the Loan Agreement with respect to such Series of Bonds, as such Mortgage may be amended or modified from time to time with the consent of the Authority.

Mortgaged Property means the land owned by the Institution described in the Mortgage and the buildings and improvements thereon or thereafter erected thereon and the fixtures, furnishings and equipment owned by the Institution and now or hereafter located therein or thereon.

Net Assets Released from Restrictions means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Activities from Audited Financials (Unrestricted).

Net Realized Gains (losses) means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Activities from Audited Financials (Unrestricted).

Net Unrealized Gains (losses) means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Activities from Audited Financials (Unrestricted).

Official Statement means an official statement relating to and in connection with the sale of the Bonds.

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

Parity Indebtedness means the Series 2011 Bonds, any Debt permitted under the Loan Agreement, and any reimbursement obligation of the Institution to the LOC Bank in connection with the IDA 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.

Permanently Restricted Net Assets means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Financial Position from Audited Financials.

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

Permitted Encumbrances means when used in connection with the Project 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) The Mortgage;

(vi) Security interests, liens and other encumbrances to secure the purchase price of any equipment or furnishings;

(vii) Any instrument recorded pursuant to the Loan Agreement; and

(viii) Such other encumbrances, defects, and irregularities to which the Insurer's consent and the prior written consent of the Authority have been obtained.

Permitted Investments means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one Rating Service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(vi) Investment Agreements that are fully collateralized by Permitted Collateral; and

(vii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

Pledged Revenues means tuition and fees charged to students for academic instruction, the right to receive the same and the proceeds thereof, the lien on which and the rights to enforce, foreclose or realize thereon shall be subject to the provisions of the Intercreditor Agreement.

Pro Forma Maximum Available Debt Service means the sum of the greatest amount required in the current or any future calendar year, as of any particular date of computation, (i) to pay interest on Debt and (ii) to be paid in reduction of the outstanding principal amount of Debt or to be paid to a sinking fund or other reserve for the payment of the principal amount of the Debt.

Project means the Project described in Schedule C to the Loan Agreement.

Provider means the issuer or provider of a Reserve Fund Facility, Credit Facility or a Liquidity Facility.

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 Reserve Fund Facility, 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 Ratings, in each case, which has at the time of reference 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 Interest Rate Bonds or

Option Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

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

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

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.

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

Resolution means the Convent of the Sacred Heart Revenue Bond Resolution, adopted by the Authority on October 27, 2010, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

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, any fund established for the payment of the purchase price of Options Bonds tendered for purchase or redemption or any fund established for the repayment of funds drawn under a Credit Facility or Liquidity Facility) and all amounts received as a consequence of the enforcement of such Loan Agreement, or applicable Mortgage defined in such Loan Agreement, including but not limited to amounts derived from any realization upon the Pledged Revenues.

Reserves means, for purposes of Section 10 of the Loan Agreement, the term as used in the statement of Cash Balances reserved for (Not in Audit).

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.

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 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 2011 Bonds means the Bonds authorized by the Series 2011 Resolution.

Series 2011 Project means the project or projects in connection with which the Series 2011 Bonds are being issued as more fully described in Schedule C to the Loan Agreement, dated as of December 8, 2010.

Series 2011 Resolution means the Series 2011 Resolution Authorizing Up To \$33,000,000 Convent of the Sacred Heart Revenue Bonds, Series 2011.

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 November 1 for the retirement of any Outstanding Bonds of said Series which mature after said future November 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future November 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.

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.

Support and Revenue (Unrestricted) means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Activities from Audited Financials (Unrestricted).

Tax Certificate means the certificate of the Authority, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Series 2011 Bonds in which the Authority makes representations and agreements as to arbitrage and compliance with the provisions of Sections 141 through 150, inclusive, of the Code, or any similar certificate, agreement or other instrument made, executed and delivered in lieu of said certificate, in each case as the same may be amended or supplemented.

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.

Total Unrestricted Expenses means, for purposes of Section 10 of the Loan Agreement, the term as used in the Statement of Activities from Audited Financials.

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.

Underwriter means Wells Fargo Bank, National Association, and its successors and assigns.

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.

Variable or Put Debt means Debt or other obligations that are required to be paid, purchased or redeemed at the option of the holder thereof prior to maturity (and including obligations for which the Institution is indirectly liable).

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Appendix B

**Financial Statements of The Convent of the Sacred Heart
School of New York and Independent Auditors' Report**

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**THE CONVENT OF THE SACRED
HEART SCHOOL OF NEW YORK**

FINANCIAL STATEMENTS

JUNE 30, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Convent of the Sacred Heart School of New York
New York, New York

We have audited the accompanying statements of financial position of The Convent of the Sacred Heart School of New York (the "School") as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the 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 enumerated above present fairly, in all material respects, the financial position of The Convent of the Sacred Heart School of New York as of June 30, 2010 and 2009, 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.

New York, New York
October 15, 2010

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Statements of Financial Position

	June 30,	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 21,387,697	\$ 13,947,438
Investments	29,885,102	26,869,044
Pledges receivable, net	4,998,922	7,115,237
Student and other receivables, net	99,448	77,086
Prepaid expenses	315,178	416,587
Bond issuance costs	446,808	466,814
Property and equipment, net	<u>64,319,202</u>	<u>64,553,460</u>
	<u>\$ 121,452,357</u>	<u>\$ 113,445,666</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,405,905	\$ 2,336,910
Tuition and fees received in advance	13,060,190	12,579,276
Charitable remainder trust obligation	7,116	8,867
Funds held in custody for others	6,625	8,439
Loan payable	23,000,000	23,000,000
Bonds payable	<u>14,615,000</u>	<u>14,715,000</u>
	<u>53,094,836</u>	<u>52,648,492</u>
Commitments (Note M)		
NET ASSETS		
Unrestricted:		
Undesignated	28,505,300	24,501,564
Board-designated for future use	401,121	401,121
Board-designated endowment funds	<u>15,490,392</u>	<u>15,459,695</u>
Total unrestricted	44,396,813	40,362,380
Temporarily restricted	10,142,402	8,456,858
Permanently restricted	<u>13,818,306</u>	<u>11,977,936</u>
Total net assets	<u>68,357,521</u>	<u>60,797,174</u>
	<u>\$ 121,452,357</u>	<u>\$ 113,445,666</u>

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Statement of Activities Year Ended June 30, 2010

(with summarized financial information for 2009)

	Year Ended June 30, 2010			Year Ended
	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2009 Total
Support and revenue:				
Tuition and fees, net of financial aid of \$2,885,708 in 2010 and \$2,618,624 in 2009	\$ 19,278,192			\$ 18,627,352
Summer and after-school programs	925,802			879,218
Auxiliary activities	1,014,520			966,453
Contributions	2,179,379	\$ 122,144	\$ 419,185	2,710,006
Contributions - capital campaign	1,067,051	4,252,609	1,417,829	9,561,941
Special event income, net of direct benefit to donors of 483,971 in 2010 and \$398,381 in 2009	438,214	136,290		488,587
Donated goods and services	500,145			307,252
Interest and dividends	239,699	117,616	3,356	718,204
Net realized gains (losses) on investments	468,297			(2,682,267)
Unrealized appreciation (depreciation) of investments	679,556	77,238		(5,196,595)
Facilities rental	1,392,960			957,530
Other income	125,927			186,409
Total support and revenue before restrictions	28,309,742	4,705,897	1,840,370	27,524,090
Net assets released from restrictions	3,020,353	(3,020,353)		0
Total support and revenue	31,330,095	1,685,544	1,840,370	27,524,090
Expenses:				
Program services:				
Instructional and related costs	13,976,063			13,243,714
Summer and after-school programs	636,607			618,387
	14,612,670			13,862,101
Operations and maintenance	6,363,448			5,650,652
General and administrative	4,190,833			4,062,044
Fund-raising	1,560,237			1,460,085
Interest expense	525,329			691,874
Facilities rental	43,145			50,790
	12,682,992			11,915,445
Total expenses	27,295,662			25,777,546
Change in net assets	4,034,433	1,685,544	1,840,370	1,746,544
Net assets - July 1	40,362,380	8,456,858	11,977,936	59,050,630
Net assets - June 30	\$ 44,396,813	\$ 10,142,402	\$ 13,818,306	\$ 60,797,174

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Statement of Activities Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Tuition and fees, net of financial aid of \$2,618,624	\$ 18,627,352			\$ 18,627,352
Summer and after-school programs	879,218			879,218
Auxiliary activities	966,453			966,453
Contributions	2,105,842	\$ 470,990	\$ 133,174	2,710,006
Contributions - capital campaign	572,179	7,573,833	1,415,929	9,561,941
Special event income, net of direct benefit to donors of \$398,381	349,873	138,714		488,587
Donated goods	307,252			307,252
Interest and dividends	594,081	124,123		718,204
Net realized losses	(2,682,267)			(2,682,267)
Unrealized depreciation of investments	(5,169,379)	(27,216)		(5,196,595)
Facilities rental	957,530			957,530
Other income	186,409			186,409
Total support and revenue before restrictions	17,694,543	8,280,444	1,549,103	27,524,090
Net assets released from restrictions	763,879	(763,879)		0
Total support and revenue	18,458,422	7,516,565	1,549,103	27,524,090
Expenses:				
Program services:				
Instructional and related costs	13,243,714			13,243,714
Summer and after-school programs	618,387			618,387
	13,862,101			13,862,101
Operations and maintenance	5,650,652			5,650,652
General and administrative	4,062,044			4,062,044
Fund-raising	1,460,085			1,460,085
Interest expense	691,874			691,874
Facilities rental	50,790			50,790
	11,915,445			11,915,445
Total expenses	25,777,546			25,777,546
Change in net assets	(7,319,124)	7,516,565	1,549,103	1,746,544
Net assets - July 1	47,681,504	940,293	10,428,833	59,050,630
Net assets - June 30	\$ 40,362,380	\$ 8,456,858	\$ 11,977,936	\$ 60,797,174

See notes to financial statements

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Statements of Cash Flows

	Year Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 7,560,347	\$ 1,746,544
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,936,969	3,199,949
Amortization of bond issuance costs	20,006	20,006
Net unrealized and realized (gains) losses on investments	(1,225,091)	7,878,862
Provision for uncollectible accounts	35,000	299,458
Donated securities		(50,534)
Actuarial loss under charitable remainder trust obligation	489	589
Permanently restricted contributions	(2,320,669)	(707,834)
Changes in:		
Student and other receivables, net	(57,362)	(31,399)
Pledges receivable, net	2,116,315	(6,211,897)
Prepaid expenses	101,409	(243,692)
Accounts payable and accrued liabilities	68,995	(206,550)
Tuition and fees received in advance	480,914	894,109
Funds held in custody for others	(1,814)	(11,597)
Net cash provided by operating activities	<u>10,715,508</u>	<u>6,576,014</u>
Cash flows from investing activities:		
Net purchases of investments	(1,790,967)	(882,046)
Purchases of property and equipment	(3,702,711)	(27,803,104)
Net cash used in investing activities	<u>(5,493,678)</u>	<u>(28,685,150)</u>
Cash flows from financing activities:		
Payment of annuity obligation	(2,240)	(2,240)
Payment of bond liability	(100,000)	(100,000)
Proceeds from bank loan		23,000,000
Permanently restricted contributions	2,320,669	707,834
Net cash provided by financing activities	<u>2,218,429</u>	<u>23,605,594</u>
Net increase in cash and cash equivalents	7,440,259	1,496,458
Cash and cash equivalents, beginning of year	<u>13,947,438</u>	<u>12,450,980</u>
Cash and cash equivalents, end of year	<u>\$ 21,387,697</u>	<u>\$ 13,947,438</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 480,043</u>	<u>\$ 651,386</u>

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE A - THE SCHOOL AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The School:

The Convent of the Sacred Heart School of New York (the "School"), formed in 1881, is incorporated in the State of New York as "The Female Academy of the Sacred Heart." The School is a member of the Network of Sacred Heart Schools, a national organization of educational institutions with a common mission; however, the criteria for consolidation have not been met, and the financial statements of the other schools are not consolidated herein.

The School is obligated to adhere to the goals and criteria mandated by the United States Province of the Society of the Sacred Heart (the "Society"). As prescribed by the School's by-laws, in the event of dissolution, the School's net assets would be distributed to the Society for use in its educational mission or as otherwise directed by the Society.

The School is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws. In addition, due to its religious affiliation, the School is exempt from federal and state information filing requirements.

[2] Basis of accounting:

The accompanying financial statements of the School have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

For financial-reporting purposes, the School considers all highly liquid financial investments purchased with a maturity of three months or less to be cash equivalents, except for those cash equivalents held as part of the School's investment portfolio.

[5] Investments:

The School's investments in marketable securities, fixed-income funds, limited partnerships, a real asset common trust fund, and a mutual fund are reported at their fair values, based on market quotations and the values provided by investment managers, as applicable. The School routinely reviews and evaluates the values provided by the respective investment managers and believes the carrying amounts of the investments not held in publicly traded instruments are reported at reasonable estimates of their fair value. However, estimated fair values may differ significantly from the values that would have been used had a ready market for these instruments existed.

Donated securities are initially recorded at their fair values on the dates of gift. Interest and dividend income, as well as realized gains or losses and unrealized appreciation or depreciation in investment value, are recognized as unrestricted, temporarily restricted and permanently restricted, in accordance with donor intent.

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE A - THE SCHOOL AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

The Board of Trustees has authorized an annual spending policy under which a portion of the net realized and unrealized appreciation in the value of participating funds are utilized for current operations, based on a formula using prior quarterly market valuations. The amount allocated to current operations for fiscal-years 2010 and 2009 was \$1,260,543 and \$1,322,886, respectively.

[6] Allowance for doubtful accounts:

The School periodically assesses the collectability of its contributions and receivables and provides allowances for anticipated losses, if any, when necessary.

[7] Contributions, pledges and charitable remainder trusts:

Contributions to the School are recorded as revenue at the receipt of an unconditional pledge or of cash or other assets. Contributions are considered available for unrestricted use, unless the donors restrict the use thereof, either on a temporary or permanent basis. Contributions to be received after one year are discounted at an appropriate interest rate commensurate with the risk involved. An allowance for uncollectible pledges receivable is provided, using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of fund-raising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the School.

Donated goods consist of items received by the School and awarded as prizes during the auctions held in relation to special events. These amounts are recorded as both revenue and expense at their estimated fair values at the dates of receipt.

The School is the beneficiary of three charitable remainder trusts, for only one of which it serves as the trustee (see Note C).

[8] Bond issuance costs:

Aggregate costs relating to the issuance of bonds (see Note G) are being amortized over the term of the debt.

[9] Property and equipment:

Property and equipment are reported at their original costs at the dates of acquisition or at their fair values at the dates of donation. Building improvements are capitalized, whereas minor costs of repairs and maintenance are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are approximately 75 years for the buildings, 10 to 30 years for building improvements, and 5 to 10 years for furniture and equipment. Construction-in-progress is transferred to building improvements and depreciated when the construction is substantially complete.

[10] Tuition and fees received in advance:

Tuition and other fees received prior to June 30, but which are applicable to the following academic year, are deferred and recognized as revenue in the year that educational services are provided.

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE A - THE SCHOOL AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Net assets:

The net assets of the School and the changes therein are classified and reported as follows:

(i) *Unrestricted:*

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions. The School's board-designated funds are presented as unrestricted because there are no donor restrictions on the use of these net assets. The undesignated portion of the School's unrestricted net assets at June 30, 2010 includes funds reserved for future capital expenditures (\$2,501,895), funds reserved for technology-related expenditures (\$450,310) and general reserve funds (\$1,045,215).

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes or time frames. When a donor's time-restriction expires or a purpose-restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying statements of activities as "net assets released from restrictions."

(iii) *Permanently restricted:*

Permanently restricted net assets represent those resources that have been designated by the donor to be held and invested in perpetuity. Generally, the donors of these assets direct the School to use all or part of the income earned on related investments to support faculty salaries, scholarships and other programs.

[12] Auxiliary activities:

Auxiliary activities represent student-related programs that are recognized in the accompanying statements of activities as the services are provided.

[13] Facilities rental:

The facilities rental category of revenue and expense in the accompanying statements of activities relates to the rental of facilities to outside organizations or individuals. Total revenue of \$1,392,960 and \$957,530 in fiscal-years 2010 and 2009 includes revenue from the rental of the School's facilities at 1-7 East 91st Street (\$34,250 and \$27,638, respectively) and 406 East 91st Street (\$1,358, 710 and \$929,892, respectively).

[14] Functional allocation of expenses:

The cost of providing the School's various programs and supporting services have been summarized on a functional basis in Note N. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management.

[15] Income tax uncertainties:

In fiscal-year 2010, the School adopted the provision of Accounting Standards Codifications ("ASC") 740-10-05 relating to accounting for uncertainty in income taxes. For the School, ASC 740-10-05 is potentially applicable to the incurrence of unrelated business income ("UBI") attributable to the School's rental income; however, ASC 740-10-05 in 2010 has not had, and is not expected to have, a material impact on the School's financial statements.

[16] Fair-value measurement:

In fiscal-year 2009, the School adopted ASC 820-10-05 relating to fair-value measurement. Accordingly, the School reports a fair-value measurement of all applicable assets and liabilities (see Note B).

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE A - THE SCHOOL AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[17] Endowment funds:

The School reports all applicable disclosures to its funds treated as endowment, both donor-restricted and board designated (see Note K).

[18] Subsequent events:

The School considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

NOTE B - INVESTMENTS

At each fiscal year-end, the fair values of investments were as follows:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 60,600	\$ 60,812
Fixed-income securities and mutual fund	4,563,276	3,709,132
Mortgage-backed securities	487,344	1,588,545
Equity securities	10,787,545	9,957,260
Limited partnerships	12,213,890	9,590,663
Real asset common trust fund	<u>1,772,447</u>	<u>1,962,632</u>
	<u>\$ 29,885,102</u>	<u>\$ 26,869,044</u>

Interest and dividends, as presented in the accompanying statements of activities, are reported net of investment fees of \$100,961 and \$128,127 for fiscal-years 2010 and 2009, respectively.

As described in Note A[16], the School has adopted ASC 820-10-05 relating to fair value measurement, which prescribes three levels of fair-value measurement as follows:

- Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date. Level 1 assets include cash and cash equivalents, U.S. Treasury Bills, fixed-income and mutual funds and pooled equity securities.
- Level 2 - Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets, or liabilities in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include fixed-income securities and mutual fund and pooled equity securities that are redeemable at or near the balance sheet date and for which a model was derived for a valuation.
- Level 3 - Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. Level 3 assets include a real asset common trust fund and investments in limited partnerships, the underlying investments of which could not be independently valued, or cannot be immediately redeemed at or near fiscal year-end.

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE B - INVESTMENTS (CONTINUED)

Most investments classified in Level 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the School's interest therein, its classification in Level 3 is based on the School's ability to redeem its interest at or near June 30, 2010. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following tables summarize the fair values of the School's assets at each fiscal year-end, in accordance with the ASC 8210-10-05 valuation levels:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 60,600			\$ 60,600
Fixed-income securities and mutual fund	2,451,263	\$ 2,112,013		4,563,276
Mortgage-backed securities		487,344		487,344
Pooled equity securities	9,194,856	1,592,689		10,787,545
Limited partnerships			\$ 12,213,890	12,213,890
Real asset common trust fund			1,772,447	1,772,447
	<u>\$ 11,706,719</u>	<u>\$ 4,192,046</u>	<u>\$ 13,986,337</u>	<u>\$ 29,885,102</u>

	June 30, 2009			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 60,812			\$ 60,812
Fixed-income securities and mutual fund	1,194,481	\$ 2,514,651		3,709,132
Mortgage-backed securities		1,588,545		1,588,545
Pooled equity securities	8,456,425	1,500,835		9,957,260
Limited partnerships			\$ 9,590,663	9,590,663
Real asset common trust fund			1,962,632	1,962,632
	<u>\$ 9,711,718</u>	<u>\$ 5,604,031</u>	<u>\$ 11,553,295</u>	<u>\$ 26,869,044</u>

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE B - INVESTMENTS (CONTINUED)

The table below summarizes the changes in the fair value of the School's Level 3 investments for fiscal-years 2010 and 2009:

	<u>Year Ended June 30, 2010</u>		
	<u>Limited Partnerships</u>	<u>Real Asset Common Trust Fund</u>	<u>Total</u>
Balance, July 1, 2010	\$ 9,590,663	\$ 1,962,632	\$ 11,553,295
Realized losses		(353,597)	(353,597)
Unrealized (losses) gains	(41,508)	623,040	581,532
Purchases	2,664,735	550,372	3,215,107
Sales		(1,010,000)	(1,010,000)
	<u>\$ 12,213,890</u>	<u>\$ 1,772,447</u>	<u>\$ 13,986,337</u>
	<u>Year Ended June 30, 2009</u>		
	<u>Limited Partnerships</u>	<u>Real Asset Common Trust Fund</u>	<u>Total</u>
Balance, July 1, 2009	\$ 9,937,509	\$ 3,551,841	\$ 13,489,350
Realized losses		(122,252)	(122,252)
Unrealized losses	(2,133,391)	(1,327,730)	(3,461,121)
Purchases	1,960,894	37,500	1,998,394
Sales	(174,349)	(176,727)	(351,076)
	<u>\$ 9,590,663</u>	<u>\$ 1,962,632</u>	<u>\$ 11,553,295</u>

At June 30, 2010 and 2009, the School has unfunded commitments amounting to approximately \$1,700,000 and \$2,800,000, respectively, due upon demand by the general partners of the investee limited partnerships. Some of the limited partnerships, such as the private equities, are illiquid. The rest of the Level 3 types of investments can be redeemed on a quarterly basis and require a redemption notice of between 45-90 days.

NOTE C - CHARITABLE REMAINDER TRUSTS

The School is the beneficiary of a charitable remainder annuity trust for which it serves as trustee. The trust instrument provides that, for the donor's lifetime, the School will distribute approximately \$2,240 each calendar year to the donor. The present value of expected payments to the donor has been recorded as a liability in the accompanying statements of financial position.

The School is also the beneficiary of a charitable remainder annuity trust for which it does not serve as the trustee. The trust agreement requires the trustee to pay the principal of the trust to the School upon the death of the annuitant, subject to certain conditions. At June 30, 2010 and 2009, the market value of the trust's assets was \$293,094 and \$299,084, respectively. Because there are conditional promises related to this trust, this asset is not reported in the accompanying financial statements.

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE C - CHARITABLE REMAINDER TRUSTS (CONTINUED)

In addition, the School is the beneficiary of a charitable remainder trust for which it does not serve as the trustee. The present value of the future benefits to be received by the School when the trust terminates and the trust assets are distributed has been recorded as a receivable in the accompanying financial statements.

NOTE D - PLEDGES AND ACCOUNTS RECEIVABLE

[1] The School has recorded as pledges receivable those amounts that have been promised to the School as of June 30 but that have not yet been collected as of that date. At each fiscal year-end, the receivables were estimated to be due as follows:

	June 30,	
	2010	2009
One year or less	\$ 3,238,279	\$ 5,387,675
Two to five years	<u>2,395,408</u>	<u>2,355,004</u>
	5,633,687	7,742,679
Less allowance for doubtful pledges	<u>(350,028)</u>	<u>(350,028)</u>
	5,283,659	7,392,651
Less present value discount (calculated at rates ranging from 4% - 5%)	<u>(284,737)</u>	<u>(277,414)</u>
	<u>\$ 4,998,922</u>	<u>\$ 7,115,237</u>

[2] As of June 30, 2010 and 2009, student and other receivables are reported net of an allowance for doubtful accounts of \$70,670 and \$40,000 respectively.

NOTE E - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	June 30,	
	2010	2009
Land	\$ 743,828	\$ 743,828
Buildings	26,990,319	26,990,319
Building improvements	52,139,853	49,328,753
Furniture, fixtures and equipment	4,974,934	4,493,210
Fine art	123,200	123,200
Library books	43,456	43,456
Construction-in-progress	<u>2,631,474</u>	<u>2,221,587</u>
	87,647,064	83,944,353
Less accumulated depreciation and amortization	<u>(23,327,862)</u>	<u>(19,390,893)</u>
	<u>\$ 64,319,202</u>	<u>\$ 64,553,460</u>

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE E - PROPERTY AND EQUIPMENT (CONTINUED)

Construction-in-progress represents those costs incurred as of June 30, 2010 and 2009 for the major building upgrades and preparatory work on the renovation of the newly purchased building.

NOTE F - NOTES PAYABLE

In September 2008, the School received a term loan from a bank in the amount of \$23,000,000, that was used to finance the purchase of a building for expansion of the School's facilities. Interest on the outstanding loan will accrue during the interest period at a rate equal to the sum of the LIBOR rate plus 180 basis points for such interest period. The maturity date of the loan was extended from July 1, 2010 to December 5, 2010.

NOTE G - BONDS PAYABLE

To finance a portion of the approximately \$27,000,000 of costs of a significant building expansion which commenced in September 2001, the School borrowed \$15,115,000 through the issuance of New York City Industrial Development Agency tax-exempt bonds in November 2002. The bonds bear interest at a variable rate reset every seven days based upon market demand, subject to a maximum interest rate of 11%. The average rate for fiscal-years 2010 and 2009 was 0.26% and 0.90%, respectively. The bonds mature in 2032. The financing agreement requires the School to maintain specified levels of debt-service coverage, net assets, and other financial ratios, as defined. Additionally, the agreement prohibits the School from undertaking additional indebtedness without approval.

Annual bond principal payments are required every November 1 through November 1, 2032. The required principal payments on the above obligations are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 100,000
2012	100,000
2013	250,000
2014	350,000
2015	450,000
Thereafter	<u>13,365,000</u>
	<u>\$ 14,615,000</u>

NOTE H - PENSION AND ANNUITY PLANS

The School has a non-contributory, defined-contribution 403(b) pension plan and a contributory, tax-deferred annuity plan covering most salaried employees. Participation by the employees in the tax-deferred annuity plan is voluntary. The plans are currently funded through the purchase of individual annuities issued to each participant by the Teachers Insurance and Annuity Association/College Retirement Equities Fund. The School's contribution to the plans amounted to \$731,907 and \$682,212 for fiscal-years 2010 and 2009, respectively.

In addition, the School has undertaken to provide certain retirement benefits for certain former employees supplemental to the aforementioned plans. Payments made to such retired employees were \$1,800 for each of the fiscal-years 2010 and 2009.

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets consisted of the following:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Restricted for the following purposes:		
Property and equipment	\$ 9,134,420	\$ 7,271,079
Financial aid and other assistance	48,542	63,025
Charitable remainder trust receivable	2,473	2,473
Other	<u>95,549</u>	<u>114,977</u>
	9,280,984	7,451,554
Time-restricted	<u>861,418</u>	<u>1,005,304</u>
	<u>\$ 10,142,402</u>	<u>\$ 8,456,858</u>

During each fiscal year, net assets released from restrictions resulted from satisfying the following donor restrictions:

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Purpose restrictions satisfied:		
Property and equipment	\$ 2,091,107	\$ 378,638
Financial aid and other assistance	82,825	94,370
Other:		
Instructional supplies and other support	39,595	35,874
Faculty compensation and professional development	4,000	17,130
Special events	<u>80,436</u>	<u>132,867</u>
	2,297,963	658,879
Time restrictions satisfied	<u>722,390</u>	<u>105,000</u>
	<u>\$ 3,020,353</u>	<u>\$ 763,879</u>

NOTE J - PERMANENTLY RESTRICTED NET ASSETS

During each fiscal year, the income received from the following permanently restricted net assets was available for the following purposes:

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Financial aid and other assistance	\$ 4,991,832	\$ 3,869,644
Faculty compensation and professional development	3,490,420	3,482,928
Other programs	2,827,760	2,127,760
Undesignated	<u>2,508,294</u>	<u>2,497,604</u>
	<u>\$ 13,818,306</u>	<u>\$ 11,977,936</u>

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE K - ENDOWMENT

[1] The endowment:

The endowment consists of individual donor-restricted funds established for a variety of purposes. The School also has funds designated by the Board of Trustees to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

[2] Interpretation of relevant law:

The Board of Trustees has interpreted the New York State Uniform Management of Institutional Funds Act ("UMIFA") as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted nets assets:

- the original value of gifts donated to the permanent endowment,
- the original value of subsequent gifts to the permanent endowment, and
- accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

[3] Endowment net asset composition by type of fund as of June 30, 2010:

The School's endowment net assets of \$29,308,698 include both donor-restricted funds and funds designated by the Board of Trustees to function as endowment.

[4] Changes in endowment net assets in fiscal-years 2010 and 2009:

	Year Ended June 30, 2010		
	Board- Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 15,459,695</u>	<u>\$ 11,977,936</u>	<u>\$ 27,437,631</u>
Investment return:			
Investment income	232,367	3,356	235,723
Net appreciation (realized and unrealized)	<u>1,058,873</u>	<u> </u>	<u>1,058,873</u>
Total investment return	<u>1,291,240</u>	<u>3,356</u>	<u>1,294,596</u>
Contributions		1,837,014	<u>1,837,014</u>
Appropriation of endowment assets for expenditure	<u>(1,260,543)</u>	<u> </u>	<u>(1,260,543)</u>
Endowment net assets, end of year	<u>\$ 15,490,392</u>	<u>\$ 13,818,306</u>	<u>\$ 29,308,698</u>

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE K - ENDOWMENT (CONTINUED)

[5] Changes in endowment net assets fiscal-years 2010 and 2009: (continued)

	Year Ended June 30, 2009		
	Board- Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 24,135,298	\$ 10,428,833	\$ 34,564,131
Investment return:			
Investment income	462,455		462,455
Net depreciation (realized and unrealized)	<u>(7,815,172)</u>		<u>(7,815,172)</u>
Total investment return	<u>(7,352,717)</u>		<u>(7,352,717)</u>
Contributions (including new pledges of \$1,194,101)		1,549,103	<u>1,549,103</u>
Appropriation of endowment assets for expenditure	<u>(1,322,886)</u>		<u>(1,322,886)</u>
Endowment net assets, end of year	<u>\$ 15,459,695</u>	<u>\$ 11,977,936</u>	<u>\$ 27,437,631</u>

[6] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the School to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$1,083,210 and \$1,094,622 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

[7] Return objectives and risk parameters:

The School has adopted investment and spending policies for endowment assets the objective of which is to preserve purchasing power, while providing a continuing and stable funding source to support the School's educational program. To accomplish this objective, the Endowment seeks to generate a total return that will exceed not only its operating expenses as an Endowment, but also all the expenses associated with managing the fund and the eroding effects of inflation. It is the intention that all total return (interest income, dividends, realized gains, and unrealized gains), above and beyond the amount approved for expenditure or distribution, will be reinvested in the Fund. The Fund will be managed on a total return basis, consistent with the applicable standard of conduct set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

[8] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the 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 School targets a diversified asset allocation that includes fixed income, equity securities, and alternative investments to achieve its long-term return objectives within prudent risk constraints.

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE K - ENDOWMENT (CONTINUED)

[9] Spending policy and related objectives:

The School has a policy of appropriating for distribution each year an amount equal to the lower of 5% of the average fair market value of its endowment fund calculated over 12 prior quarters or 5% of the endowment fund's current fair market value as of a point in time determined by the Board of Trustees. In establishing this policy, the School considered the long-term expected return on its endowment.

NOTE L - CONCENTRATION OF CREDIT RISK

The School maintains its cash and cash equivalents in bank accounts in amounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. Management believes that the School is not exposed to any significant risk of loss on these bank accounts. Likewise, the School's investments are held at major financial institutions, and management believes that there is no significant risk that such institutions will fail.

NOTE M - COMMITMENTS

- [1] At June 30, 2010 and 2009, the School had outstanding contractual commitments relating to continued window renovation and other exterior and interior building improvements of approximately \$385,000 and \$1,400,000, respectively.
- [2] Effective July 1, 2009, the School entered into a five-year employment agreement with its Head of School. The agreement provides for automatic annual extension unless written notice of either party's intent not to extend is provided.
- [3] Along with other independent schools in New York City, the School is a member of the Randall's Island Field Group LLC, which is negotiating with the City for the schools to pay annually for the long-term use of the athletic fields of Randall's Island.

NOTE N - PROGRAM AND SUPPORTING SERVICES EXPENSES

Generally accepted accounting principles require the School's expenses to be reported on a functional basis. Accordingly, total expenses were allocated among program and supporting services as follows:

	Year Ended June 30,	
	2010	2009
Program	\$ 17,082,747	\$ 15,826,793
General and administrative	8,388,941	8,283,728
Fund-raising	1,823,974	1,667,025
	<u>\$ 27,295,662</u>	<u>\$ 25,777,546</u>

THE CONVENT OF THE SACRED HEART SCHOOL OF NEW YORK

Notes to Financial Statements June 30, 2010 and 2009

NOTE O - SUBSEQUENT EVENT

Subsequent to fiscal year-end, the School requested and received a waiver relating to certain financial covenants under the bond financing agreement.

NOTE P - IN-KIND CONTRIBUTION

A member of the School's Board of Trustees is a partner of a law firm which provides the School with donated legal services, as the need arises. The donated legal services, valued at \$68,000 in 2010 have been valued at standard market rates that would have been incurred by the School to obtain them, and as required by generally accepted accounting principles, they have been reported as both revenue and expense in the accompanying statements of activities.

Appendix C

Summary of Certain Provisions of the Loan Agreement

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2011 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings 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 and the Series Resolution and under 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.

The Authority, upon the request of the Institution, may, but shall not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the applicable Construction Fund. Nothing contained in the Loan Agreement or in the Resolution shall be construed as creating any obligation upon the Authority to issue Bonds for such purpose, it being the intent of the Loan Agreement to reserve to the Authority full and complete discretion to decline to issue such Bonds. The proceeds of any additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Series of Bonds.

(Section 6)

Financial Obligations

Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or under the Loan Agreement, including, moneys in the Debt Service Fund, and interest accrued but unpaid on investments held in the Debt Service Fund, but excluding moneys in the Debt Service Reserve Fund held for the benefit of the Bonds, the Institution unconditionally agrees to pay or cause to be paid, so long as the 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 the issuance of the Bonds;

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

(iii) On or before 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 the Bonds, becomes due, one sixth (1/6) of the interest coming due on the Bonds on the immediately succeeding interest payment date on the Bonds so that on a date one month prior to the succeeding interest payment date sufficient amounts are on deposit to pay interest on the Bonds next coming due; provided, however, that, if with respect to the 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;

(iv) On or before the tenth (10th) day of each month commencing on the tenth (10th) day of the November which is twelve (12) months prior to the November 1 on which the principal or a Sinking Fund Installment of Bonds, if any, becomes due, one twelfth (1/12) of the principal and Sinking Fund Installment on the Bonds coming due on such November 1 so that on a date one month prior to the succeeding principal payment date sufficient amounts are on deposit to pay principal on the Bonds next coming due; provided, however, that, if with respect to a Series of Bonds there are less than twelve (12) such payment dates prior to the November 1 on which principal or Sinking Fund Installments, if any, come due on Bonds of a Series, on each payment date prior to such November 1 the Institution shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments, if any, of such Bonds coming due on such November 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 November 1;

(v) At least fifteen (15) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased, is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(vi) On or before 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);

(vii) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (A) for the Authority Fee then unpaid, (B) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant thereto, (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, (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 restore a Debt Service Reserve Fund to its Debt Service Reserve Fund Requirement;

(viii) 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 Loan Agreement;

(ix) 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

(x) 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 Loan Agreement 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 of the 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.

The Authority shall direct the Institution, and the Institution shall agree, pursuant to the Loan Agreement, to make the payments required by the Loan Agreement as follows: (i) the payments required by paragraphs (iii), (iv), (v), (viii) and (x) above, directly to the Trustee for deposit and application in accordance with the Resolution; (ii) the payments required by paragraph (ii) above, directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution, as directed by the Authority; (iii) the payments required by paragraphs (i), (vi) and (vii) above directly to the Authority; and (iv) except as otherwise provided in this paragraph, the payments required by paragraph (ix) above, to or upon the written order of the Authority.

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, 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 Resolution. 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.

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 therein contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the 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 thereunder are general obligations of the Institution.

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 thereunder at the time and in the manner provided thereby. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to 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 Loan Agreement 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.

The Institution, if there is no existing Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in 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 Loan Agreement, 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 with 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 the Resolution.

If the Institution elects to purchase Bonds, with the written consent of the Authority, the Institution shall give written notice to the Authority, the Insurer 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 therefor is available on the date set for each such purchase.

(Section 9)

Financial Covenants

The Institution shall comply at all times with the covenants set forth in the Loan Agreement, which covenants shall remain in effect until the Series 2011 Bonds are paid in full, unless the Insurer shall otherwise consent:

(a) Rate Covenant. The Institution shall set tuition and fees in each fiscal year in an amount sufficient to produce Net Unrestricted Operating Revenues in an amount equal to at least 125% of the debt service on all Debt for such fiscal year, computed as of the end of such fiscal year. For purposes of the Loan Agreement, Net Unrestricted Operating Revenues shall be defined as Total Adjusted Unrestricted Operating Revenue less Total Unrestricted Expenses plus Depreciation Expense plus Interest Expense. Adjusted Unrestricted Operating Revenues shall be defined as Total Support and Revenue (Unrestricted) less Net Assets Released from Restrictions less Net Unrealized Gains (Losses) plus 5% of Cash and Investments.

(b) Liquidity Covenant. The Institution shall maintain in each fiscal year a ratio of Available Funds to Debt of at least 0.5 to 1, computed as at the end of each fiscal year; provided, however, that such ratio shall increase to, and remain at, 0.75 to 1 if at any time the Institution achieves a ratio of Available Funds to Debt of 1 to 1 as at the end of any fiscal year; further, provided, that such ratio shall permanently increase to 1 to 1 at such time as the Institution achieves Available Funds to Debt of 1.25 to 1 as at the end of any fiscal year or issues additional debt pursuant to subsection (c) below (other than up to \$5 million in additional Debt issued to complete the Project pursuant to the proviso set forth in subsection (c) below). For the purposes of the Loan Agreement, Available Funds shall mean Cash and Cash Equivalents less Campaign Collections less Reserves plus (Investments less Permanently Restricted Net Assets).

(c) Additional Debt. The Institution shall not issue any Debt if (i) Pro Forma Maximum Annual Debt Service would exceed an amount equal to 15% of Total Expenses (Unrestricted) or (ii) Available Funds would be

less than 1 times total Debt (including the proposed Debt); provided that up to \$5 million in Debt may be issued and outstanding without meeting the requirement in this clause (c) or subsection (d) below if such Debt is issued for the purpose of completing the Project and such Debt is issued in compliance with the provisions of the reimbursement agreement entered into between the Institution and the LOC Bank in connection with the IDA Bonds.

(d) Variable Rate/Put Debt. The Institution shall not at any time incur or assume additional Variable or Put Debt in an amount that would exceed 30% of the total principal amount of its outstanding Debt and the Institution agrees that an event of default or acceleration of the obligations under any reimbursement agreement or similar agreement entered into with respect to variable rate or put debt (including for purposes hereof a requirement to reimburse obligations on a basis less than a five year term out) shall constitute an event of default under the Loan Agreement.

(e) Negative Pledge. The Institution shall not at any time incur, permit, grant or suffer to exist any lien or other encumbrance securing indebtedness or other obligations on the property of the Institution located at 1-7 East 91st Street, New York, New York (except for the lease granted in connection with the issuance of the IDA Bonds and for encumbrances described in clauses (i), (ii), (iii), (iv), (vi) and (viii) of the definition "Permitted Encumbrances"), unless such lien or other encumbrance also secures the Bonds.

(f) Reporting Requirement. The Institution shall file, within one-hundred fifty (150) days following the end of each Fiscal Year, a certificate of an Authorized Officer of the Institution with the Authority and the Insurer stating that, based on the audited financial statements of the Institution for such Fiscal Year, the Institution was in compliance with the financial covenants set forth in the Loan Agreement for such Fiscal Year. Failure by the Institution to furnish any such certificate in a timely manner to the Authority and the Insurer will be deemed a failure by the Institution to comply with the covenants set forth in the Loan Agreement, unless the requirement of furnishing such certificate has been waived in writing by the Authority and/or the Insurer, as the case may be.

(Section 10)

Reserve Fund Revenues

Pursuant to the Loan Agreement, the Institution agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund, if any, an amount at least equal to the Debt Service Reserve Fund Requirement, provided that the Institution shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in the Debt Service Reserve Fund as a result of a deficiency in such fund only after the notice required by the Series Resolution is given. The Institution may deliver to the Trustee a Reserve Fund Facility for all or any part of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Series Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and the Institution is required to restore the Debt Service Reserve Fund Requirement, it shall reimburse directly, or pay to the Authority an amount sufficient to reimburse the provider thereof in order to cause such Reserve Fund Facility to be restored to its full amount and shall then deliver additional moneys or Government Obligations or Exempt Obligations necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

The delivery to the Trustee of Government Obligations and Exempt Obligations and other moneys from time to time made by the Institution pursuant to the Loan Agreement shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the Institution's obligations under the Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution and the Series Resolution. The Institution authorizes the Authority pursuant to the Resolution and the Series Resolution to pledge such Government Obligations and Exempt Obligations and other moneys to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution and the Series Resolution.

All Government Obligations and Exempt Obligations and other moneys deposited with the Trustee pursuant to the Loan Agreement, other than United States Treasury Certificates of Indebtedness State and Local Government Series ("SLGS"), (subject to provisions for registration thereof) and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner.

All such Government Obligations and Exempt Obligations and other moneys in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Government Obligations and Exempt Obligations and other moneys shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Institution appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

Pursuant to the Loan Agreement, the Institution agrees that upon each delivery to the Trustee of Government Obligations, Exempt Obligations or other moneys, whether initially or upon later delivery or substitution, the Institution shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations, Exempt Obligations or other moneys delivered by the Institution (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition thereof as contemplated by the Loan Agreement, by the Resolution and the Series Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

Prior to the initial delivery of Government Obligations and Exempt Obligations to the Trustee pursuant to the Loan Agreement, and upon any later delivery or substitution, the Institution will, at its cost and expense, provide to the Authority and the Trustee a written opinion of counsel satisfactory to the Authority to the effect that the Institution has full corporate power and authority to pledge such Government Obligations and Exempt Obligations as security in accordance with the Loan Agreement, such Government Obligations and Exempt Obligations have been duly delivered by the Institution to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms of the Loan Agreement and of the Resolution and the Series Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Government Obligations and Exempt Obligations delivered by the Institution are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restriction which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Loan Agreement or by the Resolution or the Series Resolution. In lieu of providing a written opinion of counsel to the Institution as required in the Loan Agreement after every substitution of Government Obligations or Exempt Obligations, the Institution may provide such written opinion of counsel after the first substitution provided that it shall furnish to the Authority and the Trustee, once in every calendar quarter (in the first week of each January, April, July and October) thereafter in which a substitution is made, a further written opinion of counsel to the Institution to the effect that all Government Obligations or Exempt Obligation deposited into any fund or account established under the Resolution or the Series Resolution, to and including the date of such opinion of counsel, comply with the requirements of the Loan Agreement.

(Section 11)

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. In accordance with the Intercreditor Agreement, this pledge, grant of a security interest in and assignment of the Pledged Revenues shall be on a parity with all Parity Indebtedness.

The Institution represents and warrants that, except as provided in the Intercreditor Agreement, no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance thereunder. The Institution agrees that, except in connection with the incurrence of Parity Indebtedness, 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 in the Loan Agreement.

(Section 12)

Collection of Pledged Revenues

Subject to the provisions of the Loan Agreement, the Intercreditor Agreement and the Account Control Agreement, 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 Resolution Pledged Revenues 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 May 1 or November 1, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding November 1, and (iii) the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased and accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the Loan Agreement, the Authority notifies the 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 the Loan Agreement, but the Institution shall continue to deliver to the Trustee for deposit in accordance with the Resolution any payments received by the Institution with respect to the Pledged Revenues in accordance with the provisions of the Intercreditor Agreement.

Notwithstanding anything to the contrary 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 for such purpose, the Institution shall not be required solely by virtue of 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 13)

Mortgage; Lien on Fixtures

The Institution shall execute and deliver to the Authority the Mortgage, in recordable form, acceptable to the Authority, mortgaging the Mortgaged Property, which Mortgage shall constitute a first lien on the Mortgaged Property, subject only to the Permitted Encumbrances.

Prior to any assignment of the Mortgage to the Trustee, the Authority, with the consent of the Insurer, but without the consent of the Trustee or the Holders of Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of the Mortgage and of any security interest in fixtures, furnishings or equipment located in or on or used in connection with the Mortgaged Property and the property subject to the Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as the Authority may reasonably require. As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures in the Mortgaged Property provided that, if the fixtures so removed is of any material value, the Institution shall substitute equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 14)

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 and the Mortgaged Property for proper operation and utilization of the Project and the Mortgaged Property and for utilities required to serve such Project and such Mortgaged Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction, use and operation by the Institution of the Project and the Mortgaged Property.

As a condition precedent to the Authority's obligation to deliver such Bonds, the Institution agrees to provide or reimburse the Authority for providing at the sole option of the Authority (i) a title insurance policy in form and substance and by insurer(s), all acceptable to the Authority, in the amount of the Bonds issued or such other amount as is acceptable to the Authority, insuring the Mortgage to be a valid lien on the Mortgaged Property of a priority acceptable to the Authority, free and clear of all liens and encumbrances except Permitted Encumbrances and (ii) a current survey or surveys, including a metes and bounds description, of such Mortgaged Property; certified to the Authority and the issuer of the title insurance policy and showing any easements to which the Mortgaged Property is subject.

The Institution warrants, represents and covenants that (i) title to the Project and the Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances, (ii) the Project and the Mortgaged Property 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 15)

Consent to Pledge and Assignment

The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive any or all of the payments required to be made pursuant to the Loan Agreement, any or all security interests granted by the Institution thereunder, including without limitation the security interest in the Pledged Revenues given by the Institution pursuant thereto, the Mortgage, any security interest in the fixtures, furnishings and equipment located on the Mortgaged Property and all funds and accounts established by the Resolution and pledged under the Resolution, in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated thereby whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized by the Loan Agreement, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution thereunder. Any realization upon any pledge made or security interest granted by the Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination thereof or the obligations of the Institution thereunder.

(Section 16)

Tax-Exempt Status of Institution

The Institution shall represent 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 18)

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 the 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 or 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; and provided further that, with the written consent of the Authority, the Institution may transfer ownership of the Project to a wholly-owned subsidiary of the Institution, subject to the lien of the Mortgage on the Project.

(Section 22)

Restrictions on Religious Use

The Institution agrees that with respect to the Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; provided, further, that if at any time, in the opinion of Bond Counsel, the then applicable law would permit the Project or portion thereof to "be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion or real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this paragraph, an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 23)

Sale of the Project or Mortgaged Property

The Institution covenants that it will not transfer, sell or convey the Project or the Mortgaged Property or any part thereof or interest therein, including development rights, without the prior approval of the Authority and the Insurer, 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, an amount equal to the greater of: (i) the amount, if any, which is sufficient to redeem or provide for payment in accordance with the Resolution of any Outstanding Bonds required to be redeemed or deemed paid in order to preserve the exclusion of interest on Bonds from gross income for federal income tax purposes; and (ii) the lesser of (A) the net proceeds of such transfer, sale or conveyance or (B) a percentage of the Outstanding Bonds determined by dividing (1) the principal amount of Bonds issued to finance the portion of such Project being transferred, sold or conveyed (which principal amount shall be reasonably determined by the Authority) by (2) the aggregate principal amount of Bonds issued.

Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures that are part of the Project or the Mortgaged Property and were 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 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 organizations located in the State providing services similar to those provided by the Institution and those 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.

The Institution shall furnish to the Authority annually (1) a certificate or report of an Insurance Consultant that the insurance coverage maintained by the Institution is adequate and in accordance with the standards above, and (2) any certificates of workers' compensation insurance and disability benefits insurance coverage required by the New York State Workers' Compensation Board.

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

In the event the Institution fails to provide the insurance required by the Loan Agreement, the Authority may elect at any time thereafter to procure and maintain the insurance required as described under this caption at the expense of the Institution and shall give written notice thereof to the Insurer. The policies procured and maintained by the Authority shall be open to inspection by the Institution at all reasonable times, and, upon request of the Institution, a complete list describing such policies as of the June 30th preceding the Authority's receipt of such request shall be furnished to the Institution by the Authority.

(Section 26)

Defaults and Remedies

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

(i) the Institution shall default in the timely payment of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid by or on behalf of the Institution in accordance therewith or with the Resolution or the Series Resolution, and such default continues for a period in excess of seven (7) days; 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; provided, however, that no cure period shall be deemed to apply to any covenant in Section 10 of the Loan Agreement; 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 thereunder, 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 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; or

- (xii) the occurrence and continuance of an event of default under the Mortgage; or
- (xiii) the occurrence and continuance of an event of default by the Institution under any document relating to 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 thereof or of the Mortgage;
- (v) subject to the terms of the Intercreditor Agreement, 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, subject to the provisions of the Intercreditor Agreement, 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 or waived; (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 given by the Institution pursuant to the Loan Agreement, (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 such Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of 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 of 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 the Loan Agreement during the term thereof;

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

(viii) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement or under the 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 given or granted to the Authority by the Loan Agreement are cumulative, nonexclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made pursuant to 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 32)

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. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase the Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority.

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.

The Authority has undertaken full responsibility for performing rebate calculations that may be required to be made from time to time with respect to the Bonds. Upon request, the Institution covenants that it will provide such information as the Authority deems necessary to calculate the yield on the Bonds and any other information as may be necessary to prepare the rebate calculation to the Authority or an entity which the Authority has designated no less than once a year measured from the date of issuance of the Bonds. The Institution shall be obligated to pay the costs in connection therewith in accordance with the Loan Agreement. The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of excess earnings and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institution and its agents and representatives, any of whom may make copies thereof. Upon written request from the Institution, the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations. The Authority shall also provide the Institution with a copy of all documents or reports filed with the Department of Treasury of the United States of America relating to the rebate of earnings.

(Section 37)

Termination

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; provided, however, that the liabilities and the obligations of the Institution under the Loan Agreement and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the Loan Agreement shall nevertheless survive any such termination. 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, including the satisfaction of the Mortgage, and the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

(Section 46)

Appendix D

Summary of Certain Provisions of the Resolution

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution and the Series 2011 Resolution pertaining to the Series 2011 Bonds and the Project. Such summary does not purport to be complete and reference is made to the Resolution and the Series 2011 Resolution for full and complete statements of each of their respective provisions.

Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers refer to sections in the Resolution or, where so specified, the Series 2011 Resolution.

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 Convent of the Sacred Heart 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 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 thereby or by a Series Resolution.

(Section 1.03)

Additional Obligations; Parity Indebtedness

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 with respect to Parity Indebtedness, 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 in the Resolution.

(Section 2.05)

Authorization of Redemption

Bonds of a Series subject to redemption prior to maturity pursuant 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 provided under the caption "*Redemption Other Than at Authority's Election or Direction*", 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 to be redeemed. The 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 sixty (60) 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 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 hereof or of a Series 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 and maturities to be redeemed in the manner provided in the Resolution, 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, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the 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 provided 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 preceding paragraph, 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 and the date said Bonds were issued, the maturity dates and interest rates of the Bonds to be redeemed; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the

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

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

Purchase of Bonds at the Election of the Institution

Whenever Bonds are to be purchased at the election of the Institution, written notice thereof and of the Bonds of the 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 and maturity to be so purchased in the same manner as provided in 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 of the Authority and each applicable Provider to such purchase. 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.

(Section 4.07)

Pledge of Revenues

The proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and, except as otherwise provided in the Resolution, all funds and accounts established thereby, other than the Arbitrage Rebate Fund and any fund established for the repayment of funds drawn under a Credit Facility or Liquidity Facility, are, subject to the adoption of a Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments and Redemption Price of, and interest on such Series of Bonds, all in accordance with the provisions of 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 Pledged Revenues, and all funds and accounts established by the Resolution and by a Series Resolution which are pledged thereby 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 Pledged Revenues and the funds and accounts established by the Resolution and pursuant to a Series Resolution, which are pledged thereby as provided in the Resolution and which pledge shall constitute a first lien thereon, subject, with respect to the Pledged Revenues, only to the Prior Pledges and any existing or future liens securing Parity Indebtedness.

(Section 5.01)

Establishment of Funds and Accounts

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

Construction Fund;
Debt Service Fund;
Debt Service Reserve Fund, if applicable; and
Arbitrage Rebate Fund.

In addition to the accounts and subaccounts, if any, required to be established in accordance with 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 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 thereby 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 therein, 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 thereby for the payment of the purchase price of such Option Bonds; provided further, that any Debt Service Reserve Fund established by or pursuant to a Series Resolution, the amounts held therein and amounts derived from any Reserve Fund Facility related thereto, shall not be held in trust for the

benefit of the Holders of Bonds other than the Bonds of the Series secured thereby as provided in such Series Resolution and are pledged solely thereto and no Holder of the Bonds of any other Series shall have any right or interest therein.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series or in the Bond Series Certificate relating to such Series.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series.

(Section 5.03)

Application of Money 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 therein 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 therein.

Except as otherwise provided in Article V of 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.

Payments for Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification, and the respective amounts of each such payment. Payments for Costs of any Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority, substantiated by a certificate filed with the Authority in accordance with a Loan Agreement naming the Project in connection with which payment is to be made and describing in reasonable detail the purpose for which money was used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of the Project, except that payments to pay interest on Bonds of a Series shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Construction Fund to the Debt Service Fund.

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Institution with respect to a Project shall be deposited in the Construction Fund and, if necessary, such fund may be re-established for such purpose.

A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Institution, which certificate shall be delivered as soon as practicable after the date of completion of such Project, or upon delivery to the Institution and the Trustee of a certificate signed by an Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that the Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy or use, and, in the case of a certificate of an Authorized Officer of the Institution, shall specify the date of completion.

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 applicable Debt Service Reserve Fund Requirement; and

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

(Section 5.04)

Deposit and Allocation of Revenues

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

First: To the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until October 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 May 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 May 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 Bonds of a Series payable on or prior to the next succeeding May 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 May 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 November 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond on and prior to the next succeeding November 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 November 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 to replenish each Debt Service Reserve Fund to its respective Debt Service Reserve Fund Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Facility Provider and the amount of the deficiency in each Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the respective Debt Service Reserve Funds;

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

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority 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 applicable 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 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 November 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

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 such interest payment date on Outstanding Bonds of a Series.

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

Notwithstanding anything to the contrary set forth in the first paragraph under this caption, the Authority may, at any time subsequent to the first day of November 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 to be redeemed from such Sinking Fund Installment. In addition, the Institution pursuant to the Loan Agreement may deliver, at any time subsequent to November 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.

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 November 1, the interest on Outstanding Bonds of a Series payable on and prior to the earlier of the next succeeding interest payment date, 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 Article IV of 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

The Debt Service Reserve Fund, if any, established for a Series of Bonds pursuant to a Series Resolution shall be maintained in accordance with the terms of such Series Resolution.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of Article V 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 a 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 Moneys 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 Debt Service Reserve Fund, if applicable, 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 Section 12.01(b) of 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 Article IV of the Resolution, or (ii) give the Trustee irrevocable instructions in accordance

with Section 12.01(b) 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)

Computation of Assets of Debt Service Reserve Fund

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, (iii) upon the request of the Institution, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to Article V of the Resolution, shall compute the value of the assets in the Debt Service Reserve Fund, if any, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Institution as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement. Investments held in the Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest.

(Section 5.11)

Security for Deposits

All money held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such money is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any money with them pursuant to the sections entitled “*Debt Service Fund*” or “*Defeasance*” 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

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.

In lieu of the investments of money in obligations authorized in the above paragraph, 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.

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.

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, except that investments held in any Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest.

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 thereto 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 thereof as of the end of the preceding month and as to whether such investments comply with the provisions contained in the first three paragraphs under this caption. 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.

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)

Powers as to Bonds and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds of each applicable Series, to adopt the Resolution and each applicable Series Resolution and to pledge and assign the proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the Pledged Revenues, and all funds and accounts established by the Resolution and pursuant to a Series Resolution that are or may be pledged thereby, in the manner and to the extent provided therein. The Authority further covenants that the proceeds from the sale of each applicable Series of Bonds, the applicable Revenues, the Authority's security interest in the Pledged Revenues, and all funds and accounts established by the Resolution and by any Series Resolution that are or may be pledged thereby are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge created by the Resolution and pursuant to the applicable Series Resolution, other than any pledge, lien, charge or encumbrance upon the Revenues created by the Authority to secure its obligation to a Provider which has provided a Credit Facility or Liquidity Facility, which may be of equal priority and rank with the charge and lien thereon created by the Resolution and thereby and other than, with respect to the Pledged Revenues, the Prior Pledges and any existing or future liens to secure Parity Indebtedness. The Authority further covenants that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that each Series of Bonds and the provisions of the Resolution and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the proceeds from the sale of each Series of Bonds, the applicable Revenues, the Authority's security interest in the Pledged Revenues and all funds and accounts established by the Resolution and by the applicable Series Resolution that are pledged by the Resolution and by such Series Resolution and all of the rights of the Holders of Bonds of any Series under the Resolution and each Series Resolution against all claims and demands of all persons whomsoever.

(Section 7.03)

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 such Series on the proceeds from the sale of such Bonds, the applicable Revenues, the Authority's security interest in the Pledged Revenues, the rights of the Authority to receive payments to be made under the applicable Loan Agreement that are to be deposited with the Trustee or the funds and accounts established by the Resolution or by such Series Resolution that are pledged thereby other than, with respect to the Pledged Revenues, the Prior Pledges and any existing or future liens to secure Parity Indebtedness; 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 another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created thereby and by a Series Resolution and (ii) incurring obligations with respect to a Credit Facility or 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)

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 in any material respect the interest of the Holders of Outstanding Bonds of the applicable Series to which such Loan Agreement relates 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 this under this caption, be given in the same manner required by Article X of 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 herein or in the Loan Agreement. Except as otherwise provided in under this caption, 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 provisions described under this caption, 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 the provisions described under this caption 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 or remarketing 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 provisions described under this caption, 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 this provisions described under this caption, 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)

Modification and Amendment Without Consent

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

(a) to provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(c) to prescribe further limitations and restrictions upon the issuance of Bonds of a Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained therein;

(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 by the provisions of 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 thereunder as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent therewith 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 of Bondholders

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)

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 thereunder or of any Series Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the section of the Resolution entitled "*Consent of Bondholders*" (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 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 this paragraph, 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 to take effect when and as provided under this caption. 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 thereby 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 under the caption "*Powers of Amendment*" and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted thereby, 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 under this caption. 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 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 (as provided 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.

At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of a Series and will be effective as provided under this caption, shall be given to such Bondholders by the Authority, by mailing such notice to such Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds of such Series shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided under this caption). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Holders of all bonds of such Series upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the provisions described under this caption, 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 and in the manner provided under this caption, 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)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (herein called “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 fail to duly and punctually perform 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 fail to duly and punctually perform 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” under a Loan Agreement, as such term is defined in such 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 section entitled “*Event of Default*” of the Resolution, other than an event of default specified in paragraph (c) of the section entitled “*Event of Default*” thereof, 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 event of default, or before the completion of the enforcement of any other remedy hereunder, 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 pursuant to the provisions described under this caption) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other event of 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 an event of default relating to the payment of the principal of such Bonds then due only because of a declaration pursuant to the provisions described under this caption) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent event of 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 section entitled “*Event of Default*” 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 thereby, shall proceed (subject to the provisions of the Resolution relating to the compensation of the Trustee) 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 the Series Resolution or in aid or execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

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 of a Series, 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 moneys adjudged or decreed to be payable.

(Section 11.04)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of a majority in principal amount of the Outstanding Bonds of a Series shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under a Series Resolution, provided such direction shall be in accordance with law and the provisions of the Resolution and of such Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

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 thereunder 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 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 thereof or to enforce any right thereunder except in the manner therein provided, 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

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 moneys and securities pledged to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all money or securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to 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.

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 immediately preceding paragraph. 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 above paragraph 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 a 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 Article XII of the Resolution 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 and maturity payment of which shall be made in accordance with the Resolution in the manner provided therein. Neither Defeasance Securities nor money deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any money received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent

practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; provided, further, that money and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such money so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each 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, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created hereby or by the Loan Agreement.

For purposes of determining whether Variable Interest Rate Bonds of a Series shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of money, or Defeasance Securities and money, if any, in accordance with the Resolution, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of money and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the Resolution, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each 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, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Option Bonds of a Series shall be deemed to have been paid in accordance with the Resolution only if, in addition to satisfying the requirements of the Resolution, there shall have been deposited with the Trustee money in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the Resolution, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the money deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each 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, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Anything in the Resolution to the contrary notwithstanding, any money held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain

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

(Section 12.01)

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Appendix E

Form of Approving Opinion of Bond Counsel

Upon delivery of the Series 2011 Bonds, Harris Beach PLLC, Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

HARRIS BEACH PLLC
100 WALL STREET
NEW YORK, NEW YORK 10005

[Date of Closing]

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

Re: \$29,470,000
Dormitory Authority of the State of New York
Convent of the Sacred Heart Insured Revenue Bonds, Series 2011

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of \$29,470,000 aggregate principal amount of Convent of the Sacred Heart Insured Revenue Bonds, Series 2011 (the “Series 2011 Bonds”) of the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the “Act”). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2011 Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, particularly the Act, (ii) the Authority’s Convent of the Sacred Heart Revenue Bond Resolution, duly adopted by the Authority on October 27, 2010 (the “General Resolution”), and (iii) the Authority’s Series 2011 Resolution Authorizing up to \$33,000,000 Convent of the Sacred Heart Revenue Bonds, Series 2011, duly adopted by the Authority on December 8, 2010 (the “Series Resolution”; and together with the General Resolution, the “Resolutions”) and a Bond Series Certificate, dated January 28, 2011 (the “Bond Series Certificate”), delivered by an Authorized Officer of the Authority pursuant to the Resolutions setting forth certain terms of the Series 2011 Bonds.

The Series 2011 Bonds are being issued for the purposes set forth in the Resolutions. The Series 2011 Bonds are separately secured from all other Series of Bonds which may be issued upon the terms and conditions and for the purposes set forth in the Resolutions.

The Series 2011 Bonds are dated their date of delivery and bear interest payable on May 1 and November 1 of each year until maturity, commencing May 1, 2011. The Series 2011 Bonds will mature on November 1, in the years, and will bear interest at the respective rates per annum as set forth in the Bond Series Certificate.

The Series 2011 Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. The Series 2011 Bonds shall be lettered and numbered "R-" from one upward in order of issuance.

The Series 2011 Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions as set forth in the Resolutions and in the Bond Series Certificate.

The Authority and The Convent of the Sacred Heart School of New York (the "Institution") have entered into a Loan Agreement, dated as of December 8, 2010 (the "Loan Agreement"), pursuant to which (a) the Authority has agreed to make a loan to the Institution and (b) the Institution is required to make payments sufficient to pay, among other things, the principal of and interest on the Series 2011 Bonds. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolutions for payment of the principal or Redemption Price of, or interest on, the Series 2011 Bonds or to maintain the Debt Service Reserve Fund established for the Series 2011 Bonds at its requirement have been pledged by the Authority for the benefit of the Holders of the Series 2011 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Series 2011 Bonds in order that interest thereon be and remain not included in gross income for Federal income tax purposes under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use and investment of bond proceeds and other moneys or property, required ownership of the facilities financed with the Series 2011 Bonds by an organization described in Section 501(c)(3) of the Code or governmental unit, and the rebate to the United States of certain earnings in respect of investments. In the Resolutions, the Loan Agreement, the Tax and Arbitrage Certificate, dated the date hereof of the Authority and the Tax Certificate, dated the date hereof, of the Institution (collectively, the "Tax Certificates"), the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code.

In rendering the opinions set forth in paragraph 5 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificates by the Authority and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Institution, or the failure by the Authority or the Institution to comply with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificates, interest on the Series 2011 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original execution and delivery of the Series 2011 Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any federal, state or local tax consequences with respect to the Series 2011 Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or the Tax Certificates or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2011

Bonds may affect the tax status of interest on the Series 2011 Bonds. Further, although interest on the Series 2011 Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2011 Bond depending upon the tax status of such holder and such holder's other items of income and deduction. We have not been requested to, and have not, reviewed any matter or conducted any investigation or examination relating to the federal, state or local tax consequences with respect to the ownership or disposition of the Series 2011 Bonds, or the accrual or receipt of interest thereon, and, accordingly, except as stated in paragraphs 5 and 6 herein, we take no responsibility therefor and express no opinion in connection therewith.

We have also examined one of the Series 2011 Bonds as executed and authenticated.

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

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2011 Bonds, thereunder.

2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2011 Bonds have been duly and validly authorized and issued in accordance with the Act and the Resolutions. The Series 2011 Bonds constitute legal, valid and binding special limited obligations of the Authority, payable as provided in, and enforceable against the Authority in accordance with, their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Act and the Resolutions.

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

5. Under existing statutes, regulations, administrative rulings and court decisions as of the date hereof, interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that interest on the Series 2011 Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However interest on the Series 2011 Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax liability, if any, of certain corporations.

The Series 2011 Bonds maturing on November 1, 2011 through 2017, inclusive, and 2018 through 2021, inclusive (collectively, the "Premium Bonds"), are being reoffered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond,

an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2011 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

The difference between the principal amount of the Series 2011 Bonds maturing on November 1, 2018 and November 1, through 2040, inclusive (collectively, the "Discount Bonds"), and the initial reoffering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that an owner's adjusted basis of a Discount Bond acquired at such initial reoffering price will be increased by the amount of such accrued original issue discount for purposes of determining an owner's gain or loss on the disposition of a Discount Bond.

6. Under existing statutes, including the Act, interest on the Series 2011 Bonds is exempt from personal income taxes imposed by the State of New York or any of its political subdivisions.

The opinions contained in paragraphs 2, 3 and 4 above are qualified only to the extent that the enforceability of the Resolutions, the Series 2011 Bonds and the Loan Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) or as to the availability of any particular remedy, and except that the availability of the rights for the specific performance or injunctive relief may be subject to the discretion of the court.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2011 Bonds. In rendering the foregoing opinions, we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2011 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,

Appendix F

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL
SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

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