



**\$31,670,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**FIT STUDENT HOUSING CORPORATION**  
**INSURED REVENUE BONDS, SERIES 2021 (FEDERALLY TAXABLE)**

**Dated: Date of Delivery**

**Due: July 1, as shown on inside cover**

**Payment and Security:** The FIT Student Housing Corporation Insured Revenue Bonds, Series 2021 (Federally Taxable) (the “Series 2021 Bonds”) are special limited obligations of the Dormitory Authority of the State of New York (“DASNY”). The Series 2021 Bonds are payable solely from and secured by a pledge of (i) certain payments to be made under the Amended and Restated Lease and Agreement, dated as of April 25, 2007, as amended and supplemented (the “Lease Agreement”), by and between FIT Student Housing Corporation (the “Institution” or the “Corporation”) and DASNY and (ii) all funds and accounts (except the Arbitrage Rebate Fund) established under DASNY’s FIT Student Housing Corporation Revenue Bond Resolution, adopted April 28, 2004, as supplemented (the “Bond Resolution”) and DASNY’s Series Resolution authorizing up to \$39,000,000 FIT Student Housing Corporation Revenue Bonds, adopted December 9, 2020 (the “Series 2021 Resolution” and, together with the Bond Resolution, the “Resolution”).

The Lease Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of DASNY and The Bank of New York Mellon, New York, New York (the “Trustee”), amounts sufficient to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all bonds issued under and pursuant to the Bond Resolution (the “Bonds”), including the Series 2021 Bonds, as such payments become due. The obligations of the Institution under the Lease Agreement will be secured by Mortgages (defined herein) on the Mortgaged Property (defined herein) and by a pledge of certain revenues.

In order to ensure that the Institution will be able to meet its obligations under the Lease Agreement, the Institution has entered into an Amended and Restated Operating Agreement, dated as of April 25, 2007, as amended and supplemented (the “Operating Agreement”), with the Fashion Institute of Technology (“FIT”). As more fully described herein, the Operating Agreement is a general obligation of FIT and requires FIT to pay to the Institution an aggregate amount equal to the payments the Institution is required to make under the Lease Agreement, including, without limitation, amounts sufficient to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds, including the Series 2021 Bonds, to the extent the Institution fails to make the payments due pursuant to the Lease Agreement.

**The Series 2021 Bonds will not be a debt of the State of New York (the “State”) nor will the State be liable thereon. DASNY has no taxing power.**

**Description:** The Series 2021 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2021 Bonds will be payable on each January 1 and July 1 beginning on July 1, 2021 at the rates and will mature as shown on the inside cover.

The Series 2021 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 2021 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2021 Bonds, payments of the principal and Redemption Price of and interest on such Series 2021 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 2021 BONDS - Book-Entry Only System” herein.

**Redemption:** *The Series 2021 Bonds are subject to redemption prior to maturity as more fully described herein.*

**Insurance:** The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under an insurance policy (the “Policy”) to be issued concurrently with the delivery of the Series 2021 Bonds by Assured Guaranty Municipal Corp. (“AGM”). A specimen form of the Policy is attached as APPENDIX I – Specimen Municipal Bond Insurance Policy. For certain information relating to the AGM, see “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – The Bond Insurance Policy” herein.



**Tax Matters:** In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, interest on the Series 2021 Bonds is included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In addition, in the opinion of Hawkins Delafield & Wood LLP, under existing statutes, interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “PART 10 - TAX MATTERS” herein.

*The Series 2021 Bonds are offered when, as, and if issued and received by the Underwriter. The offer of the Series 2021 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 Hawkins Delafield & Wood LLP, New York, New York, and McGlashan Law Firm, P.C., New York, New York, Co-Bond Counsel to DASNY, and to certain other conditions. Certain legal matters will be passed upon for the Institution and FIT by their General Counsel, Stephen Tuttle, Esq. Certain legal matters will be passed upon for the Underwriter by its counsel, Katten Muchin Rosenman LLP, New York, New York. DASNY expects to deliver the Series 2021 Bonds in definitive form in New York, New York, on or about February 3, 2021.*

**J.P. Morgan**

**\$31,670,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**FIT STUDENT HOUSING CORPORATION**  
**INSURED REVENUE BONDS, SERIES 2021 (FEDERALLY TAXABLE)**

<b>Due July 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Number<sup>(1)</sup></b>
2035	\$7,595,000	2.692%	2.692%	64990G4Z2
2036	7,805,000	2.742	2.742	64990G5A6
2037	8,020,000	2.792	2.792	64990G5B4
2038	8,250,000	2.842	2.842	64990G5C2

---

<sup>1</sup> CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2021 Bonds. Neither DASNY nor the Underwriter is responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2021 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2021 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 2021 Bonds.

*No dealer, broker, salesperson or other person has been authorized by DASNY, the Institution, FIT or the Underwriter to give any information or to make any representations with respect to the Series 2021 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 DASNY, the Institution, FIT or the Underwriter.*

*This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2021 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, FIT and other sources that DASNY believes are reliable. Neither DASNY nor the Underwriter guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of DASNY or the Underwriter. DASNY does not warrant the accuracy of the statements contained herein relating to the Institution or FIT nor does it directly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Institution or FIT, (2) the sufficiency of security for the Series 2021 Bonds or (3) the value or investment quality of the Series 2021 Bonds.*

*The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

*The Institution and FIT have reviewed the parts of this Official Statement describing the Institution and FIT, respectively, including the portions of APPENDIX A – Certain Information Relating to FIT Student Housing Corporation and Fashion Institute of Technology containing information on the Institution and FIT, respectively, and the portions of APPENDIX C – FIT Student Housing Corporation Financial Statements as of and for the Years Ended June 30, 2020 and 2019 and Fashion Institute of Technology Financial Statements as of and for the Years Ended June 30, 2020 and 2019 containing the financial statements of the Institution and FIT, respectively. The Institution also reviewed the parts of this Official Statement describing the Source of Payment and Security for the Series 2021 Bonds, the Series 2021 Bonds, the Plan of Refunding and Finance, the Estimated Sources and Uses of Funds and the Bondholders' Risks. It is a condition to the sale and the delivery of the Series 2021 Bonds that each of the Institution and FIT, respectively, certify that, as of each such date, the parts of this Official Statement reviewed by the Institution and FIT, respectively, 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. Neither the Institution nor FIT make any representation as to the accuracy or completeness of any other information included in this Official Statement.*

*AGM makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 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 1 – INTRODUCTION – Bond Insurance Policy" and "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – The Bond Insurance Policy" herein and APPENDIX I – Specimen Municipal Bond Insurance Policy attached hereto.*

*References in this Official Statement to the Act, the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Mortgages and the Policy do not purport to be complete. Refer to the Act, the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Mortgages and the Policy for full and complete details of their provisions. Copies of the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Mortgages and the Policy are on file with DASNY 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 shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of DASNY, the Institution, FIT or AGM have remained unchanged after the date of this Official Statement.*

***IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.***

## TABLE OF CONTENTS

Part	Page	Part	Page
PART 1 - INTRODUCTION .....	1	Recent Events Relating to COVID-19 .....	23
Purpose of the Issue.....	1	Cybersecurity .....	23
Authorization of Issuance.....	1	Risks Not Covered By Insurance .....	24
DASNY .....	2	Bond Insurance Risk Factors.....	24
The Institution and FIT .....	2	PART 8 - LEGALITY OF THE SERIES 2021 BONDS	
The Series 2021 Bonds.....	2	FOR INVESTMENT AND DEPOSIT.....	24
Payment of the Series 2021 Bonds.....	2	PART 9 - NEGOTIABLE INSTRUMENTS .....	25
Security for the Series 2021 Bonds .....	3	PART 10 - TAX MATTERS.....	25
Bond Insurance Policy .....	3	PART 11 - CONTINUING DISCLOSURE.....	26
PART 2 - SOURCE OF PAYMENT AND SECURITY		PART 12 - STATE NOT LIABLE ON THE SERIES	
FOR THE SERIES 2021 BONDS.....	3	2021 BONDS .....	27
Payment of the Series 2021 Bonds.....	3	PART 13 - COVENANT BY THE STATE.....	27
Security for the Series 2021 Bonds .....	4	PART 14 - LEGAL MATTERS.....	27
The Bond Insurance Policy .....	5	PART 15 - UNDERWRITING .....	27
The Mortgages .....	7	PART 16 - VERIFICATION OF MATHEMATICAL	
Covenants.....	7	COMPUTATIONS.....	28
Events of Default and Acceleration.....	8	PART 17 - MUNICIPAL ADVISOR.....	28
Rights of the Bond Insurers.....	9	PART 18 - INDEPENDENT AUDITORS.....	28
General.....	9	PART 19 - RATING .....	28
PART 3 - THE SERIES 2021 BONDS.....	9	PART 20 - MISCELLANEOUS .....	28
Description of the Series 2021 Bonds .....	9	APPENDIX A – Certain Information Relating to FIT	
Redemption Provisions .....	10	Student Housing Corporation and Fashion Institute of	
Principal and Interest Requirements.....	12	Technology.....	A-1
Book-Entry Only System .....	12	APPENDIX B – Certain Definitions.....	B-1
PART 4 - PLAN OF REFUNDING AND FINANCE .	15	APPENDIX C – FIT Student Housing Corporation	
PART 5 - ESTIMATED SOURCES AND USES OF		Financial Statements as of and for the Years Ended June	
FUNDS.....	16	30, 2020 and 2019 and Fashion Institute of Technology	
PART 6 - DASNY .....	16	Financial Statements as of and for the Years Ended	
Background Purposes and Powers.....	16	June 30, 2020 and 2019 .....	C-1
Governance .....	17	APPENDIX D – Summary of Certain Provisions of	
Claims and Litigation .....	21	the Lease Agreement.....	D-1
Other Matters .....	21	APPENDIX E – Summary of Certain Provisions of	
PART 7 - BONDHOLDERS' RISKS .....	21	the Operating Agreement .....	E-1
General.....	21	APPENDIX F – Summary of Certain Provisions of	
Financial Assistance.....	22	the Resolution.....	F-1
Changes in Law.....	22	APPENDIX G – Proposed Forms of Approving	
Additional Indebtedness.....	22	Opinions of Co-Bond Counsel .....	G-1
Certain Matters Relating to Enforceability of the		APPENDIX H – Proposed Form of Agreement to	
Bond Resolution, the Lease Agreement and the		Provide Continuing Disclosure .....	H-1
Operating Agreement .....	22	APPENDIX I – Specimen Municipal Bond Insurance	
Secondary Market for the Series 2021 Bonds .....	23	Policy .....	I-1



**DORMITORY AUTHORITY - STATE OF NEW YORK**  
**REUBEN R. McDANIEL, III - PRESIDENT**

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

---

**OFFICIAL STATEMENT RELATING TO**  
**\$31,670,000**  
**DORMITORY AUTHORITY**  
**OF THE STATE OF NEW YORK**  
**FIT STUDENT HOUSING CORPORATION**  
**INSURED REVENUE BONDS, SERIES 2021 (FEDERALLY TAXABLE)**

**PART 1 - INTRODUCTION**

**Purpose of the Official Statement**

The purpose of this Official Statement, including the cover page, the inside cover page and the appendices, is to provide information about the Dormitory Authority of the State of New York (“DASNY”), FIT Student Housing Corporation (the “Institution” or the “Corporation”) and Fashion Institute of Technology (“FIT”) in connection with the offering by DASNY of \$31,670,000 principal amount of its FIT Student Housing Corporation Insured Revenue Bonds, Series 2021 (Federally Taxable) (the “Series 2021 Bonds”).

The following is a brief description of certain information concerning the Series 2021 Bonds, DASNY, the Institution and FIT. A more complete description of such information and additional information that may affect decisions to invest in the Series 2021 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 B – Certain Definitions attached hereto.

**Purpose of the Issue**

The Series 2021 Bonds are being issued to (i) provide temporary debt service relief to the Institution by providing funds (A) together with other available funds, to refund certain maturities of DASNY’s Outstanding FIT Student Housing Corporation Insured Revenue Bonds, Series 2007 (the “Series 2007 Bonds”) issued under and pursuant to the Bond Resolution (defined herein) for the benefit of the Institution and FIT, (B) to pay all interest coming due on the Series 2007 Bonds that will not be refunded for the period from the date of issuance of the Series 2021 Bonds through and including January 1, 2024, and (C) to fund three years of capitalized interest on the Series 2021 Bonds, (ii) fund the portion of the Debt Service Reserve Fund Requirement attributable to the Series 2021 Bonds, and (iii) pay the Costs of Issuance of the Series 2021 Bonds. See “PART 4 - PLAN OF REFUNDING AND FINANCE” and “PART 5 - ESTIMATED SOURCES AND USES OF FUNDS” herein.

**Authorization of Issuance**

The Series 2021 Bonds will be issued pursuant to DASNY’s FIT Student Housing Corporation Revenue Bond Resolution, adopted April 28, 2004, as supplemented (the “Bond Resolution”), the Series Resolution authorizing up to \$39,000,000 FIT Student Housing Corporation Revenue Bonds, adopted December 9, 2020 (the “Series 2021 Resolution” and, together with the Bond Resolution, the “Resolution”) and the Act. The Bond Resolution authorizes the issuance of other Series of Bonds (collectively, the “Bonds”) in addition to the Series 2021 Bonds to pay Costs of one or more Projects, to pay the Costs of Issuance of such Series of Bonds, and to refund all or a portion of Outstanding Bonds or other notes or bonds of DASNY issued for the benefit of the Institution. All Bonds issued under the Bond

Resolution rank on a parity with each other and are secured equally and ratably with each other, except as provided pursuant to the terms of Bond Resolution. In addition to the Series 2021 Bonds, there is currently \$94,265,000 aggregate principal amount of the Series 2007 Bonds outstanding under the Bond Resolution of which \$14,940,000 is expected to be refunded with proceeds of the Series 2021 Bonds. Subject to satisfaction of an additional bonds test as described herein, there is no limit on the amount of additional Bonds that may be issued under the Bond Resolution, which Bonds may be issued at any time after the scheduled delivery date of the Series 2021 Bonds. The Series 2021 Bonds will be insured by a municipal bond insurance policy. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS” and “PART 3 - THE SERIES 2021 BONDS” herein.

## **DASNY**

DASNY is a public benefit corporation of the State of New York (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 6 - DASNY” herein.

## **The Institution and FIT**

The Institution is a not-for-profit corporation formed by FIT to own and operate certain dormitories for FIT, which is a specialized college of art and design, business and technology, and a community college of the State University of New York. See APPENDIX A – Certain Information Relating to FIT Student Housing Corporation and Fashion Institute of Technology and APPENDIX C - FIT Student Housing Corporation Financial Statements as of and for the Years Ended June 30, 2020 and 2019 and Fashion Institute of Technology Financial Statements as of and for the Years Ended June 30, 2020 and 2019 attached hereto for a more detailed discussion on the Institution and FIT. See also APPENDIX A – Certain Information Relating to FIT Student Housing Corporation and Fashion Institute of Technology for a discussion on the impact of COVID-19 on the operations and finances of the Institution and FIT.

## **The Series 2021 Bonds**

The Series 2021 Bonds will be dated the date of delivery, and will bear interest from such date (payable July 1, 2021 and on each January 1 and July 1 thereafter) at the rates and will mature on the dates set forth on the inside cover page of this Official Statement. See “PART 3 - THE SERIES 2021 BONDS - Description of the Series 2021 Bonds” herein.

## **Payment of the Series 2021 Bonds**

The Series 2021 Bonds and all other Bonds which have been and may be issued under the Bond Resolution are special limited obligations of DASNY payable solely from the Revenues. The Revenues consist of certain payments to be made by the Institution under the Amended and Restated Lease and Agreement, dated as of April 25, 2007, as amended and supplemented (the “Lease Agreement”), by and between the Institution and DASNY, which payments are pledged and assigned to The Bank of New York Mellon, New York, New York, as trustee (the “Trustee”), for the payment of principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds, including the Series 2021 Bonds. The Lease Agreement is a general obligation of the Institution. Pursuant to the Amended and Restated Operating Agreement, dated as of April 25, 2007, as amended and supplemented (the “Operating Agreement”), by and between FIT and the Institution, which is a general obligation of FIT, FIT is required to pay to the Institution an aggregate amount equal to the payments the Institution is required to make under the Lease Agreement to the extent the Institution fails to make such payments. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS” herein.

**The Series 2021 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power. Neither the State nor DASNY has any responsibility to make payments with respect to the Series 2021 Bonds except for DASNY’s responsibility to make payments from moneys received from the Institution pursuant to the Lease Agreement and from amounts held in the funds and accounts under the Bond Resolution and Series 2021 Resolution and pledged therefor.**

## **Security for the Series 2021 Bonds**

The Series 2021 Bonds and all other Bonds issued under the Bond Resolution are secured by the pledge and assignment to the Trustee of the Revenues, the proceeds of such Bonds until disbursed in accordance with the Resolution, all funds and accounts authorized by the Resolution (with the exception of the Arbitrage Rebate Fund), which include a Debt Service Reserve Fund, and the security interest in the Pledged Revenues granted by the Institution to DASNY under the Lease Agreement. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Security for the Series 2021 Bonds” herein.

The Institution’s obligations to DASNY under the Lease Agreement will be additionally secured by the Mortgages (as hereinafter defined) on the Institution’s fee interest in certain property located at 406 West 31st Street in the Borough of Manhattan in the City and State of New York (known as Kaufman Hall) and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith and on the Institution’s leasehold interest in the Lease Agreement (the “Mortgaged Property”). Upon the issuance of the Series 2021 Bonds, DASNY will assign all of its rights and interests in, to and under the Mortgages and such security interests, as well as its rights and interests in, to and under the Lease Agreement (other than certain retained rights) and its security interest in the Operating Agreement, to the Trustee for the benefit of the Holders of the Bonds, including the Series 2021 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - The Mortgages” herein.

## **Bond Insurance Policy**

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under an insurance policy (the “Policy”) to be issued concurrently with the delivery of the Series 2021 Bonds by Assured Guaranty Municipal Corp. (“AGM”). A specimen form of the Policy is attached hereto as APPENDIX I – Specimen Municipal Bond Insurance Policy. For certain information relating to the AGM, see “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – The Bond Insurance Policy” herein.

## **PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS**

*Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2021 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Lease Agreement, the Agreement of Lease (defined herein), the Operating Agreement, the Mortgages and the Policy. Copies of the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Mortgages and the Policy are on file with DASNY and the Trustee. See also APPENDIX D - Summary of Certain Provisions of the Lease Agreement, APPENDIX E - Summary of Certain Provisions of the Operating Agreement, APPENDIX F - Summary of Certain Provisions of the Resolution and APPENDIX I - Specimen Municipal Bond Insurance Policy attached hereto for a more complete statement of the rights, duties and obligations of the parties thereto.*

## **Payment of the Series 2021 Bonds**

The Series 2021 Bonds and all other Bonds which have been and may be issued under the Bond Resolution will be special limited obligations of DASNY. At present, the Series 2007 Bonds are the only Series of Bonds Outstanding under the Bond Resolution. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2021 Bonds and all other Bonds which have been and may be issued under the Bond Resolution are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Lease Agreement to satisfy the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2021 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 Outstanding Bonds under the Resolution including the Series 2021 Bonds.

The Lease Agreement is a general obligation of the Institution and obligates the Institution to make payments to satisfy the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on Outstanding Bonds issued under the Bond Resolution, including the Series 2021 Bonds. Such payments are required to be made semi-

annually on each June 10 and December 10, in an amount equal to all of the interest coming due on the next succeeding interest payment date and one-half (1/2) of the principal coming due on the next succeeding July 1.

In order to ensure that the Institution will be able to meet its obligations under the Lease Agreement, the Institution has entered into the Operating Agreement with FIT. The Operating Agreement is a general obligation of FIT. FIT is obligated under the Operating Agreement to pay or provide for the payment to the Institution, from any moneys legally available to FIT, an aggregate amount equal to the payments the Institution is required to make to DASNY or the Trustee pursuant to the Lease Agreement, including, without limitation, the payments described above to the extent that such payments are not made by the Institution. The Institution has granted to DASNY a security interest in the Institution's rights under the Operating Agreement.

DASNY has directed, 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, Sinking Fund Installments, if any, and Redemption Price of and interest on the Outstanding Bonds under the Bond Resolution, including Series 2021 Bonds, before being applied for any other purpose.

### **Security for the Series 2021 Bonds**

The Series 2021 Bonds will be secured by the pledge and assignment of the Revenues, the proceeds from the sale of Bonds issued under the Bond Resolution until disbursed as provided in the Resolution, all funds and accounts authorized under the Resolution (with the exception of the Arbitrage Rebate Fund) which include a Debt Service Reserve Fund, and DASNY's security interest in the Pledged Revenues.

In addition, upon issuance of the Series 2021 Bonds, DASNY will assign (i) its interests in the Mortgages granted by the Institution in connection with the issuance of Series 2007 Bonds and the Series 2021 Bonds to secure its obligations under the Lease Agreement, and (ii) DASNY's right, title and interest in, to and under the Lease Agreement (other than certain retained rights) and its security interest in the Operating Agreement, to the Trustee to further secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Outstanding Bonds.

All Bonds, notwithstanding the Series Resolution under which issued or their date or dates of issuance, will be secured equally and ratably by the foregoing except as otherwise provided in or permitted by the Resolution.

#### *Pledged Revenues*

The Series 2021 Bonds will be secured by a pledge of the Pledged Revenues and the right to receive such Pledged Revenues. However, the maximum amount of such revenues subject to the pledge is limited in each year to the greatest amount payable by DASNY in any Bond Year for the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on Outstanding Bonds under the Bond Resolution including the Series 2021 Bonds. The Pledged Revenues include the revenues derived by the Institution from the Project and the Properties, including amounts paid by FIT under the Operating Agreement. See APPENDIX C - FIT Student Housing Corporation Financial Statements as of and for the Years Ended June 30, 2020 and 2019 and Fashion Institute of Technology Financial Statements as of and for the Years Ended June 30, 2020 and 2019.

#### *Debt Service Reserve Fund*

The 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 Resolution and is pledged to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2021 Bonds and other Outstanding Bonds.

The Debt Service Reserve Fund is required to 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 all Outstanding Bonds payable during such calendar year (including the Series 2021 Bonds), excluding interest accrued thereon prior to July 1 of the next preceding year, and the principal and the Sinking Fund Installments, if any, of Outstanding Bonds payable



on or prior to July 1 of such calendar year; (ii) 10% of the net proceeds of the sale of the Series 2021 Bonds and other Outstanding Bonds or (iii) 125% of average annual debt service on the Outstanding Bonds. The proceeds of the Series 2021 Bonds deposited in the Debt Service Reserve Fund will bring the amount therein to approximately \$10,566,853.90, which amount is not less than the Debt Service Reserve Fund Requirement upon the date of issuance of the Series 2021 Bonds. See “PART 4 - PLAN OF REFUNDING AND FINANCE” below and APPENDIX F - Summary of Certain Provisions of the Resolution attached hereto.

Moneys on deposit in the Debt Service Reserve Fund are to be drawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund on the fourth business day prior to an interest payment date is less than the amount which is necessary to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on Outstanding Bonds payable on such interest payment date. The Bond Resolution and the Lease Agreement require that the Institution restore the Debt Service Reserve Fund to its requirement. See APPENDIX F - Summary of Certain Provisions of the Resolution attached hereto.

### **The Bond Insurance Policy**

*AGM has supplied the following information for inclusion in this Official Statement. No representation is made by DASNY or the Underwriter as to the accuracy or completeness of this information.*

#### *The Policy*

Concurrently with the issuance of the Series 2021 Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Series 2021 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2021 Bonds when due as set forth in the form of the Policy included as APPENDIX I – Specimen Municipal Bond Insurance Policy attached hereto.

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.*

AGM is a New York domiciled financial guaranty insurance company and 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 international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). 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. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity 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 October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

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, 2019.

### Capitalization of AGM

At September 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,671 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,042 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,111 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

### Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (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, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (filed by AGL with the SEC on November 6, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2021 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.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under this caption “The Bond Insurance Policy” 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.

#### Miscellaneous Matters

AGM makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 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 headings “PART 1 – INTRODUCTION – Bond Insurance Policy,” “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – The Bond Insurance Policy” herein and APPENDIX I – Specimen Municipal Bond Insurance Policy attached hereto.

#### **The Mortgages**

The obligations of the Institution to DASNY under the Lease Agreement presently are secured by a mortgage granting DASNY a first lien on the Mortgaged Property in connection with the issuance of the Series 2007 Bonds (the “2007 Mortgage”) and a security interest in the fixtures, furnishings and equipment owned by the Institution and now or hereafter located therein or thereon. In connection with the issuance of the Series 2021 Bonds, the Institution will execute and deliver a Mortgage (the “2021 Mortgage”, and together with the 2007 Mortgage, the “Mortgages”) to DASNY granting a co-equal first lien on the Mortgaged Property. DASNY will assign its rights under both Mortgages to the Trustee for the benefit of the Holders of the Outstanding Bonds, including the Series 2021 Bonds, upon issuance of the Series 2021 Bonds. None of the property subject to the Mortgages may be further encumbered or released, and the Mortgage may not be amended, without the prior consent of the Bond Insurers (as hereinafter defined).

#### **Covenants**

Set forth below is a brief summary of certain financial covenants contained in the Lease Agreement. Certain terms used herein are defined in APPENDIX B – Certain Definitions attached hereto.

##### *Rate Covenant*

The Institution has covenanted in the Lease Agreement to maintain a ratio of Income Available for Debt Service over Annual Debt Service (the “Rate Covenant Debt Service Coverage Ratio”) of 1.20 to 1.00, to be calculated for each fiscal year of the Institution. If in any fiscal year the Rate Covenant Debt Service Coverage Ratio is less than 1.20 to 1.00, the Institution is required at its own expense to retain a Financial Consultant, in a timely manner but in no event later than ninety (90) days after the date on which the Institution determines that such Rate Covenant Debt Service Coverage Ratio is less than 1.20 to 1.00, to prepare a report and make recommendations with respect to the rates and fees charged by the Institution and the methods of operation and other factors affecting its financial condition in order to increase such Rate Covenant Debt Service Coverage Ratio to at least 1.20 to 1.00. A copy of the Financial Consultant’s report and recommendations, if any, shall be filed with the Institution, DASNY, the Trustee and the Bond

Insurers. The Institution shall follow each recommendation of the Financial Consultant to the extent feasible and permitted by law.

Notwithstanding the foregoing, if in any fiscal year the Rate Covenant Debt Service Coverage Ratio is less than 1.20 to 1.00, the Institution shall not be obligated to retain a Financial Consultant to make such recommendations if: (a) there is filed with the Institution a written report addressed to it, DASNY, the Trustee and the Bond Insurers of a Financial Consultant which contains an opinion of such Financial Consultant to the effect that applicable laws or regulations or public health and safety events have prevented the Institution from generating Income Available for Debt Service during such fiscal year in an amount sufficient to produce a Rate Covenant Debt Service Coverage Ratio of 1.20 to 1.00 or higher; and (b) the report of such Financial Consultant indicates that the fees and rates charged by the Institution are such that, in the opinion of the Financial Consultant, the Institution has generated the maximum amount of Income Available for Debt Service reasonably practicable given such laws or regulations or public health and safety events. The Institution shall not be required to cause the Financial Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two fiscal years if at the end of the first of such two fiscal years the Institution provides an opinion of counsel to the effect that the applicable laws and regulations underlying the Financial Consultant's report delivered in respect of the previous fiscal year have not changed in any material way. So long as the Institution is in compliance with the foregoing procedures, no Event of Default under the Lease Agreement shall occur with respect to the rate covenant.

#### *Additional Bonds*

The parties have agreed in the Lease Agreement that no Additional Bonds may be issued pursuant to the Bond Resolution (a) except for Improvements or for the purpose of refunding Bonds then Outstanding and (b) unless and until there is furnished to the Trustee and the Bond Insurers a certificate of the Chief Financial Officer of the Institution confirming that (i) for the two fiscal years next preceding the issuance of such Additional Bonds the Income Available for Debt Service over the Maximum Annual Debt Service (the "Additional Bonds Debt Service Coverage Ratio") was at least 1.20 to 1.00 and (ii) based on a written report of a Financial Consultant accompanying such certificate, (A) with respect to such Additional Bonds issued to finance Improvements, the Additional Bonds Debt Service Coverage Ratio is reasonably expected to be at least 1.20 to 1.00 for the first two full fiscal years following completion of such Improvements, or (B) with respect to Additional Bonds issued to refund Bonds then Outstanding, the Additional Bonds Debt Service Coverage Ratio is reasonably expected to be at least 1.20 to 1.00 for the first two full fiscal years following the issuance of such Additional Bonds.

#### **Events of Default and Acceleration**

The following are events of default under the Bond Resolution: (i) a default in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2021 Bonds or other Outstanding Bonds; (ii) DASNY shall take any action, or fail to take any action, which would cause any Outstanding Bonds (the interest on which is intended to be excluded from Federal income taxation) to be "arbitrage bonds" within the meaning of the Code, or fail to comply with the provisions of the Code, and as a result thereof interest on such Outstanding Bonds, as applicable, becomes includable in gross income for federal income tax purposes; (iii) a default by DASNY in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2021 Bonds or other Outstanding Bonds or in the Bond Resolution which continues for thirty (30) days after written notice thereof is given to DASNY by the Trustee (such notice to be given at the Trustee's discretion or at the written request of the applicable Facility Provider or of the Holders of not less than 25% in principal amount of Outstanding Bonds); or (iv) an "Event of Default," as defined in the Lease Agreement, shall have occurred and be continuing and all sums payable by the Institution under the Lease Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). Unless all sums payable by the Institution under the Lease Agreement are declared immediately due and payable, an event of default under the Lease Agreement is not an event of default under the Bond Resolution.

The Bond Resolution provides that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee may, and shall (i) upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds and by written notice to DASNY, declare the principal of and interest on all the Outstanding Bonds to be due and payable immediately. At the expiration of thirty (30) days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee shall,

with the written consent of the Holders of not less than 25% in principal amount of the Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Bond Resolution with respect to such annulment.

The Bond Resolution provides that the Trustee shall give notice in accordance with the Bond Resolution of each event of default known to the Trustee (i) to the Institution and to each Facility Provider within five (5) days after knowledge of the occurrence thereof, and (ii) to the Holders of the Outstanding Bonds within thirty (30) days after 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 Outstanding Bonds, the Trustee shall 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 Outstanding Bonds.

### **Rights of the Bond Insurers**

The Series 2021 Bonds are insured by AGM and the Outstanding Series 2007 Bonds are insured by National Public Finance Guarantee Corporation (collectively, the “Bond Insurers”), each of which are Facility Providers under the terms of the Bond Resolution. The Resolution provides that so long as a Bond Insurer is not in default in its obligations under its policy, and is not insolvent, such Bond Insurer is treated as the Holder of the Bonds it insures for all purposes, including upon events of default and the exercise of remedies under the Bond Resolution.

Pursuant to the Lease Agreement and the Operating Agreement, the Institution and FIT have agreed, as applicable, that any amendment of, supplement or modification to, or waiver with respect to, the Lease Agreement, the Agreement of Lease, the Operating Agreement or the Mortgages that requires the consent of the Holders of the Bonds or that adversely affects the rights and interests of the Bond Insurers shall be subject to written consent of the Bond Insurers prior to becoming effective as to such Bond Insurers. These rights are in addition to and independent of each Bond Insurer’s rights as the deemed holder of a Series of Bonds.

### **General**

**The Series 2021 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.**

## **PART 3 - THE SERIES 2021 BONDS**

*Set forth below is a narrative description of certain provisions relating to the Series 2021 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution, the Lease Agreement and the Operating Agreement, copies of which are on file with DASNY and the Trustee. See also APPENDIX D - Summary of Certain Provisions of the Lease Agreement, APPENDIX E - Summary of Certain Provisions of the Operating Agreement and APPENDIX F - Summary of Certain Provisions of the Resolution attached hereto for a more complete description of certain provisions of the Series 2021 Bonds.*

### **Description of the Series 2021 Bonds**

The Series 2021 Bonds will be issued pursuant to the Resolution and will be dated the date of delivery, and will bear interest from such date (payable July 1, 2021 and on each January 1 and July 1 thereafter) at the rates, and will mature at the times set forth on the inside cover page of this Official Statement.

The Series 2021 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2021 Bonds will be payable by check or draft mailed to the registered owners or, at the option of the registered owner of at least \$1,000,000 of Series 2021 Bonds, by wire transfer to the wire transfer address within the continental United States to which the registered owner has instructed the Trustee to make such payment at least five days prior to the interest payment date. If the Series 2021 Bonds are not registered in the name of DTC or

its nominee, Cede & Co., the principal and Redemption Price of the Series 2021 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent.

The Series 2021 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2021 Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2021 Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2021 Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Series 2021 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2021 Bonds, the Series 2021 Bonds will be exchangeable for fully registered Series 2021 Bonds in any authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “– Book-Entry Only System” below and APPENDIX F – Summary of Certain Provisions of the Resolution attached hereto.

## **Redemption Provisions**

### *Optional Redemption*

The Series 2021 Bonds shall be subject to redemption prior to maturity on any Business Day, in any order at the option of DASNY (to be given at the direction of the Institution), as a whole or in part at the Make-Whole Redemption Price described below.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2021 Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2021 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2021 Bonds are to be redeemed, discounted to the date on which such Series 2021 Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus (x) 25 basis points with respect to the Series 2021 Bonds maturing July 1, 2035 and July 1, 2036, and (y) 30 basis points with respect to the Series 2021 Bonds maturing July 1, 2037 and July 1, 2038, plus, in each case, accrued and unpaid interest on the Series 2021 Bonds to be redeemed on the redemption date.

The Trustee may retain, at the expense of the Institution, an independent accounting firm or financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee, DASNY and the Institution may conclusively rely on such accounting firm’s or financial advisor’s calculations in connection with, and determination of, the Make-Whole Redemption Price, and none of the Trustee, DASNY or the Institution will have any liability for their reliance.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2021 Bonds to be redeemed. However, if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

### *Special Redemption*

The Series 2021 Bonds are subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of DASNY on any interest payment date, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project or the Mortgaged Property.

### *Selection of Bonds to be Redeemed*

In the case of redemptions of Series 2021 Bonds described above under the heading “Optional Redemption”, DASNY will select the maturities (and interest rates, if applicable) of the Series 2021 Bonds to be redeemed. In the case of redemption of Series 2021 Bonds described above under the heading “Special Redemption,” the Series 2021 Bonds will be redeemed to the extent practicable pro rata among maturities within the Series 2021 Bonds to be redeemed.

If the Series 2021 Bonds are registered in DTC book-entry form and less than all of the Series 2021 Bonds of a maturity are to be redeemed, the particular Series 2021 Bonds of such maturity or portions thereof to be redeemed are to be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC operational procedures then in effect. Such procedures currently provide for adjustment of the principal by a factor provided by the Trustee. If the Trustee does not provide the necessary information or does not identify the redemption as on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2021 Bonds will be selected for redemption in accordance with DTC procedures by lot. It is expected that redemption allocations to be made by DTC, the DTC Participants or such other intermediaries that may exist between DASNY and the owners of the Series 2021 Bonds would be made on a “Pro Rata Pass-Through Distribution of Principal” basis as described above. However, no assurance can be provided that DTC, the DTC Participants or any other intermediaries will allocate redemptions among the owners on such basis. If operational procedures of DTC (or of any successor depository) do not allow for the redemption of the Series 2021 Bonds on a “Pro Rata Pass- Through Distribution of Principal” basis, the Series 2021 Bonds will be selected for redemption by lot.

If the Series 2021 Bonds are not registered in book-entry form and less than all of a maturity of the Series 2021 Bonds of such maturity are to be redeemed, the Series 2021 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 as provided in the Bond Resolution.

### *Notice of Redemption*

The Trustee is to give notice of the redemption of the Series 2021 Bonds in the name of DASNY which notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series 2021 Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2021 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2021 Bond.

If, on the redemption date, moneys for the redemption of the Series 2021 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 shall have been mailed, then interest on the Series 2021 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2021 Bonds will no longer be considered to be Outstanding under the Resolution.

For a more complete description of the redemption and other provisions relating to the Series 2021 Bonds, see APPENDIX F - 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 2021 Bonds when the Book-Entry Only System is in effect.

## Principal and Interest Requirements

The following table sets forth the amounts required to be paid by the Institution during each twelve month period ending June 30 of the Bond Years shown for the payment of the principal of and interest on the Series 2021 Bonds, the debt service on the Series 2007 Bonds and the total debt service on all indebtedness of the Institution.

12-Month Period Ending June 30	Series 2021 Bonds			Series 2007 Bonds Debt Service*	Total Institution Debt Service*
	Principal	Interest Payments <sup>(1)</sup>	Total		
2022	-	\$798,911	\$798,911	-	\$798,911
2023	-	876,854	876,854	-	876,854
2024	-	876,854	876,854	-	876,854
2025	-	876,854	876,854	\$9,534,794	10,411,648
2026	-	876,854	876,854	9,522,775	10,399,629
2027	-	876,854	876,854	9,515,269	10,392,123
2028	-	876,854	876,854	9,506,356	10,383,210
2029	-	876,854	876,854	9,500,119	10,376,973
2030	-	876,854	876,854	9,490,638	10,367,492
2031	-	876,854	876,854	9,477,125	10,353,979
2032	-	876,854	876,854	9,468,531	10,345,385
2033	-	876,854	876,854	9,458,675	10,335,529
2034	-	876,854	876,854	9,441,638	10,318,492
2035	-	876,854	876,854	9,431,238	10,308,092
2036	\$7,595,000	774,625	8,369,625	-	8,369,625
2037	7,805,000	565,390	8,370,390	-	8,370,390
2038	8,020,000	346,424	8,366,424	-	8,366,424
2039	8,250,000	117,233	8,367,233	-	8,367,233
	<u>\$31,670,000</u>	<u>\$14,001,684</u>	<u>\$45,671,684</u>	<u>\$104,347,158</u>	<u>\$150,018,842</u>

<sup>(1)</sup> Includes amounts to be paid from capitalized interest. See "PART 5 - ESTIMATED SOURCES AND USES OF FUNDS."

\* Does not include debt service on Refunded Bonds.

Note: Totals may not add due to rounding.

## Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond certificate will be issued for each maturity of the Series 2021 Bonds, each in the aggregate principal amount of such maturity of such Series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust &



Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2021 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 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 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY 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 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2021 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 DASNY 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 DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2021 Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2021 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources DASNY believes to be reliable, but DASNY takes no responsibility for the accuracy thereof.

Each person for whom a Direct or Indirect Participant acquires an interest in the Series 2021 Bonds, as nominee, may desire to make arrangements with such Direct or Indirect Participant to receive a credit balance in the records of such Direct or Indirect Participant, and may desire to make arrangements with such Direct or Indirect Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Direct or Indirect Participant and to have notification made of all interest payments. NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2021 BONDS.

So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2021 Bonds (other than under the caption "PART 10 — TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2021 Bonds.

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

For every transfer and exchange of Series 2021 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.

DASNY, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2021 Bonds if DASNY determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2021 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 DASNY or restricted registration is no longer in effect, Series 2021 Bond certificates will be delivered as described in the Resolution.

NONE OF DASNY, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2021 BONDS UNDER THE RESOLUTION; (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 2021 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 2021 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2021 BONDS; OR (VI) ANY OTHER MATTER.

**PART 4 - PLAN OF REFUNDING AND FINANCE**

A portion of the proceeds of the Series 2021 Bonds, together with other available funds, will be used to refund certain maturities of the Series 2007 Bonds, the maturities and principal amounts of which are listed below (referred to herein as the “Refunded Bonds”). Such proceeds and other available funds will be used to purchase securities permitted by the Bond Resolution for the defeasance of Bonds (the “Defeasance Securities”), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the principal of and interest on the respective Refunded Bonds coming due on and prior to their respective maturity dates. See “PART 16 - VERIFICATION OF MATHEMATICAL COMPUTATIONS.” Simultaneously with the issuance and delivery of the Series 2021 Bonds, such Defeasance Securities will be deposited with the Trustee. At the time of such deposit, DASNY will give the Trustee irrevocable instructions to apply the maturing principal of and interest on the applicable Defeasance Securities, together with any uninvested cash, held in trust solely for the payment of the principal of and interest coming due on such Refunded Bonds.

In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, upon making such deposits with the Trustee and the giving of such irrevocable instructions, the Refunded Bonds will, under the terms of the Bond Resolution, be deemed to have been paid, will no longer be outstanding and the Revenues or other moneys and securities pledged to such Refunded Bonds and all other rights granted to the holders of the Refunded Bonds by the Bond Resolution will be discharged and satisfied.

**Refunded Bonds**

<b>Maturity Date</b>	<b>Outstanding Principal Amount (\$)</b>	<b>Principal Amount Redeemed (\$)</b>	<b>Interest Rate (%)</b>
07/01/2021	4,730,000	4,730,000	5.25
07/01/2022	4,975,000	4,975,000	5.25
07/01/2023	5,235,000	5,235,000	5.25

In addition to the refunding of the Refunded Bonds, a portion of the proceeds of the Series 2021 Bonds will be used to (i) purchase securities, the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay all interest coming due on the Series 2007 Bonds that will not be refunded for the period from the date of issuance of the Series 2021 Bonds through and including January 1, 2024, (ii) fund three years of capitalized interest on the Series 2021 Bonds, (iii) fund the portion of the Debt Service Reserve Fund Requirement attributable to the Series 2021 Bonds, and (iv) pay the Costs of Issuance of the Series 2021 Bonds.

[Remainder of Page Intentionally Left Blank]

**PART 5 - ESTIMATED SOURCES AND USES OF FUNDS**

Estimated sources and uses of funds are as follows:

Sources of Funds	
Principal Amount of Series 2021 Bonds.....	\$31,670,000.00
Other Available Funds.....	<u>2,365,079.30</u>
Total Sources.....	\$34,035,079.30
Uses of Funds	
Deposit to Escrow Fund .....	\$28,578,889.67
Deposit to Debt Service Reserve Fund.....	876,853.90
Deposit to the Series 2021 Capitalized Interest Account.....	2,552,619.13
Costs of Issuance <sup>(1)</sup> .....	1,767,139.61
Underwriters' Discount .....	<u>259,576.99</u>
Total Uses .....	\$34,035,079.30

<sup>(1)</sup> Includes legal fees and associated costs relating to the Series 2021 Bonds and bond insurance premium.

**PART 6 - DASNY**

**Background Purposes and Powers**

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Addiction Services and Supports, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At December 31, 2020, DASNY had approximately \$63 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations

were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain 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, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 536 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 47 field sites across the State.

## **Governance**

DASNY is governed by an eleven-member board. 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 DASNY meetings. The members of DASNY 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 DASNY annually choose the following officers, of which the first two must be members of DASNY: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of DASNY are as follows:

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

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has 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 managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board 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 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 expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expired on August 31, 2016 and by law she continues to serve until a successor shall be chosen and qualified.

JONATHAN H. GARDNER, ESQ., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

WELLINGTON Z. CHEN, Queens.

Wellington Z. Chen was appointed as a Member of DASNY by the Governor on June 20, 2018. Mr. Chen is the Executive Director of the Chinatown Partnership Development Corporation. In this capacity, he leads the Chinatown Partnership in implementing initiatives in infrastructure, post 9/11 rebuilding and public space improvements in a comprehensive effort to improve the environmental and the business conditions. He is a graduate of the School of Architecture and Environmental Studies at The City College of New York. Mr. Chen's term expired on March 31, 2020 and by law he continues to serve until a successor shall be chosen and qualified.

JOAN M. SULLIVAN, Slingerlands.

Joan M. Sullivan was appointed as a Member of DASNY by the New York State Comptroller on March 26, 2019. Ms. Sullivan is President of On Wavelength Consulting LLC, a firm that assists governmental entities with development of public procurements and private companies with the preparation of effective responses to government solicitations. She possesses over 40 years of experience working in and for the government of New York State, including an expansive career at the NYS Office of State Comptroller where she last served as Executive Deputy Comptroller before accepting an appointment as Executive Director of The NYS Forum, Inc. Ms. Sullivan holds a Bachelor of Arts degree in Business Administration (Accounting) from Siena College.

GERARD ROMSKI, ESQ., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. 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, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

JANICE McKINNIE, Buffalo.

Janice McKinnie was appointed as a Member of DASNY by the Speaker of the Assembly on June 12, 2020. Ms. McKinnie is the Executive Director of True Community Development Corporation where she has led various

housing rehabilitation and development projects and has formed strategic alliances with local and regional community groups to promote affordable housing and economic growth within the area of Buffalo. She is also the owner of Developments By JEM, LLC, a construction and project development consulting firm and a NYS certified M/WBE business. Ms. McKinnie is a graduate of the State University College of Buffalo and holds a Master's degree in organizational leadership from Medaille College.

BETTY A. ROSA, Interim Commissioner of Education of the State of New York, Bronx; ex-officio.

Dr. Betty A. Rosa assumed the role of Interim Commissioner of Education and President of the University of the State of New York effective August 14, 2020. Since September 2008, Dr. Rosa has served as a member of the Board of Regents and as Chancellor thereof from March 2016 through the effective date of her resignation on August 13, 2020. She started her career with the NYC Department of Education as a paraprofessional and later served as a teacher, assistant principal, principal in the Bronx and, upon appointment, assumed the responsibilities of Superintendent of Community School District 8 then Senior Superintendent of the Bronx. Dr. Rosa is a nationally recognized education leader who has over 30 years of instructional and administrative experience with an expertise in inclusive education, cooperative teaching models, student achievement and policy implementation. She received a B.A. in psychology from the City College of New York and an Ed. M. and Ed. D. in Administration, Planning and Social Policy from Harvard University as well as two other Master of Science in Education degrees, one in Administration and Supervision and the other in Bilingual Education from the City College of New York and Lehman College respectively.

ROBERT F. MUJICA, JR., Budget Director of the State of New York, Albany; ex-officio.

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. 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. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

HOWARD A. ZUCKER, M.D., J.D., Commissioner of Health of the State of New York, Albany; ex-officio.

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that, he served as First Deputy Commissioner leading the State Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the State Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

The principal staff of DASNY are as follows:

REUBEN R. McDANIEL, III is the President and chief executive officer of DASNY, responsible for the overall management of DASNY's administration and operations. Mr. McDaniel possesses more than 30 years of experience in financial services, including public finance, personal wealth management, corporate finance and private equity. During his career in public finance, he participated in more than \$75 billion in tax-exempt bond issuances throughout the country. He has also managed investment portfolios and business assets for a variety of professionals. He previously served as Chair of the Atlanta Board of Education for Public Schools. Mr. McDaniel holds an undergraduate degree in Economics and Mathematics from the University of North Carolina at Charlotte and a Master of Business Administration from the University of Texas at Austin.

PAUL G. KOOPMAN is the Vice President of DASNY and assists the President in the administration and operation of DASNY. Mr. Koopman joined DASNY in 1995 managing the Accounts Payable and Banking and Investment Units followed by management positions in the Construction Division including Managing Senior Director of Construction where he was the primary relationship manager for some of DASNY's largest clients and provided oversight of DASNY's construction administration functions. Most recently, Mr. Koopman served as Managing Director of Executive Initiatives of DASNY where he worked closely with executive staff on policy development, enterprise risk management, and strategic planning. His career in public service began in 1985 with the NYS Division of the Budget, and then continued as Chief Budget Analyst for the New York State Facilities Development Corporation. A graduate of the Rockefeller College of Public Affairs, he holds a Master of Arts degree in Public Administration with a Public Finance concentration, and a Bachelor of Arts degree in Political Science from the State University of New York, University at Albany.

KIMBERLY A. ELLIS is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Ellis is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, payroll and information services, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Prior to her appointment to Chief Financial Officer and Treasurer, Ms. Ellis served in numerous senior positions within the Finance Division of DASNY, including as Deputy Financial Officer and Assistant Director of Investments, where she had direct involvement with the management of DASNY's financial operations, including DASNY's overall investment portfolio and the coordination and development of DASNY's annual operating budget and capital plans. Ms. Ellis holds a Bachelor of Science degree in Accounting from the State University of New York at Buffalo.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY 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. She holds a Bachelor of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, resource acquisition, contract administration, interior design, real property, sustainability and engineering, as well as other technical services. Mr. Curro joined DASNY 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 has worked in the construction industry for more than 30 years. 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.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

The position of General Counsel is currently vacant.



## **Claims and Litigation**

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

There is not now pending any litigation against DASNY (i) restraining or enjoining the issuance or delivery of the Series 2021 Bonds or (ii) challenging the validity of the Series 2021 Bonds or the proceedings and authority under which DASNY will issue the Series 2021 Bonds.

## **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 DASNY 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. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

### *Legislation*

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY 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 DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

### *Environmental Quality Review*

DASNY 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 to the extent such acts and regulations are applicable.

### *Independent Auditors*

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2020. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

## **PART 7 - BONDHOLDERS’ RISKS**

*The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2021 Bonds. Such discussion is not exhaustive, should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2021 Bonds should analyze carefully the information contained in this Official Statement, including the appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.*

## **General**

The Series 2021 Bonds are payable from payments to be made by the Institution under the Lease Agreement. To the extent the Institution fails to make its payments under the Lease Agreement, FIT is required to pay to the Institution, pursuant to the Operating Agreement, an aggregate amount equal to the payments the Institution is required

to make under the Lease Agreement. The ability of the Institution to comply with its obligations under the Lease Agreement and the ability of FIT to comply with its obligations under the Operating Agreement depends primarily upon the ability of FIT to continue to attract sufficient tuition-paying students to its educational programs and to maintain sufficient creditworthiness, and upon the ability of the Institution and FIT to obtain sufficient revenues from related activities. The Institution expects that revenues derived from its ongoing operations, together with other available resources, will at all times be sufficient to make the required payments on the Lease Agreement and the Institution will covenant under the Lease Agreement to make all such payments when due. There are certain risks, however, which might prevent the Institution and/or FIT from obtaining sufficient revenues to meet all of its obligations, including its obligations under the Lease Agreement and/or the Operating Agreement. Purchasers of the Series 2021 Bonds should bear in mind that the occurrence of any number of events could adversely affect the ability of the Institution and/or FIT to generate such revenues. Future economic, demographic and other conditions, including the demand for educational services, the ability of the Institution and FIT to provide the services required by students, economic developments in the New York area and competition from other educational institutions, together with changes in costs, may adversely affect revenues and expenses and, consequently, the ability of the Institution and/or FIT to provide for payments. The future financial condition of the Institution and FIT could also be adversely affected by, among other things, legislation and regulatory actions, and a number of other conditions which are unpredictable.

### **Financial Assistance**

The amount of available financial assistance is a significant factor in the decision of many students to attend a particular college or university. In Fiscal Year 2020, FIT students received approximately \$25.1 million in financial assistance. The level of financial assistance is directly affected by funding levels of federal, state and other financial aid programs. Any significant reduction in the level of financial assistance offered to prospective students could reduce the number of students enrolling at FIT.

### **Changes in Law**

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

### **Additional Indebtedness**

The Institution may issue, incur or assume additional indebtedness subject to compliance with the conditions contained in the Lease Agreement. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – Covenants” and APPENDIX D– Summary of Certain Provisions of the Lease Agreement attached hereto.

### **Certain Matters Relating to Enforceability of the Bond Resolution, the Lease Agreement and the Operating Agreement**

The obligation of the Institution to make payments on the Lease Agreement and the obligation of FIT to make payments pursuant to the Operating Agreement will be limited as the obligations of debtors typically are affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors’ rights. If the Institution or FIT filed for the reduction of its debts in a proceeding under the federal Bankruptcy Code, the court could approve provisions modifying, eliminating or altering the rights of creditors generally, or any class of them, secured or unsecured. If the Institution or FIT should file a plan of reorganization (“Plan”), when confirmed by the court, such Plan binds all creditors who had notice or knowledge of the Plan and discharges all claims against the debtor as provided for in the Plan. No Plan may be confirmed unless certain conditions are met, among which are that the Plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the Plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to

the Plan are cast in its favor. Even if the Plan is not so accepted, it may be confirmed if the court finds that the Plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

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

### **Secondary Market for the Series 2021 Bonds**

There can be no assurance that there will be a secondary market for purchase or sale of the Series 2021 Bonds. From time to time there may be no market for the Series 2021 Bonds depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the Institution's and FIT's capabilities and the financial condition and results of operations of the Institution and FIT.

### **Recent Events Relating to COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in the State and The City of New York (the "City"). The Governor of the State has declared a state of emergency in the State, and the Mayor of The City of New York has declared a state of emergency in the City.

The continued spread of COVID-19 and impact on social interaction, travel, economies and financial markets may adversely affect the Institution's and FIT's operations and financial condition, including, among other things, by impacting (i) the ability of the Institution and FIT to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding and other grants and gifts and (iii) financial markets and consequently the returns on and value of the Institution's and FIT's investments. In addition, there may be a material adverse impact on the secondary market for and value of the Series 2021 Bonds. See APPENDIX A – Certain Information Relating to FIT Student Housing Corporation and Fashion Institute of Technology for more information on the impact of COVID-19 on the Institution and FIT and for more information on the measures implemented by the Institution and FIT to address COVID-19.

The Institution and FIT are monitoring developments and the directives of federal, state and local officials to determine what additional precautions and procedures may need be to be implemented by the Institution and FIT in connection with the spread of COVID-19. The full impact of COVID-19 and the scope of any adverse impact on Institution's and FIT's finances and operations cannot be fully determined at this time.

### **Cybersecurity**

Computer networks and data transmission and collection are vital to the efficient operation of FIT. Despite the implementation of network security measures by FIT, its information technology and infrastructure may be vulnerable to deliberate attacks by hackers, malware, ransomware, or computer viruses, or may otherwise be breached due to employee error, malfeasance, or other disruptions. Any such breach could compromise networks, and the information stored thereon could be disrupted, accessed, publicly disclosed, lost, or stolen. Although FIT does not believe that its information technology systems are at a materially greater risk of cybersecurity attacks than other similarly-situated entities, any such disruption, access, disclosure, or other loss of information could result in reputational damage to FIT and may have a material adverse effect on FIT's operations and financial condition. Further, as cybersecurity threats continue to evolve, FIT may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate, and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks.

## **Risks Not Covered By Insurance**

Although the Institution and FIT maintain a program of insurance and self-insurance to protect against certain operating and other risks, not all risks are insured or insurable (for example, losses as a result of certain litigation), and disputes may develop over insured risks. In addition, there can be no assurance that such insurance coverage will be available in the future at all or on commercially reasonable terms or at commercially reasonable rates. If certain operating risks occur, or if there is a total or partial loss of some or all of the Institution's and FIT's facilities, there can be no assurance that the proceeds of the applicable insurance policies will be adequate to cover lost revenues, increased expenses, or the cost of repair or replacement. Any of the foregoing events could materially adversely affect the Institution's and/or FIT's financial condition.

## **Bond Insurance Risk Factors**

In the event of default of the scheduled payment of principal or interest on the Series 2021 Bonds when all or some becomes due, or in the event any such payment is recovered from the owners of the Series 2021 Bonds as a voidable preference under applicable bankruptcy law, the Trustee, on behalf of the owners of the Series 2021 Bonds, shall have a claim under the Policy for such payments. However, in the event of any advancement of the due date of such principal by reason of mandatory or optional redemption, the payments under the Policy are to be made in such amounts and at such times as such payments would have been due had there not been any such advancement. See APPENDIX I – Specimen Municipal Bond Insurance Policy.

In the event that AGM is unable to make payment of principal or interest as such payments become due under the Policy, the Series 2021 Bonds are payable solely from the moneys available under the Resolution. In the event that AGM becomes obligated to make payments with respect to the Series 2021 Bonds, no assurance is given that such event will not adversely affect the market price of the Series 2021 Bonds or the marketability of the Series 2021 Bonds.

The long-term rating on the Series 2021 Bonds is dependent in part on the financial strength of AGM and its claims paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors that could change over time. No assurance is given that the long-term ratings of AGM and the rating of the Series 2021 Bonds will not be subject to downgrade. Any such event could adversely affect the market price or marketability of the Series 2021 Bonds. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – The Bond Insurance Policy – Assured Guaranty Municipal Corp." and "PART 19 – RATING" herein.

The obligations of AGM under the Policy are contractual obligations and, in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither DASNY nor the Underwriter have made an independent investigation into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. See "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – The Bond Insurance Policy" herein for further information provided by AGM and the Policy, which includes further instructions for obtaining current financial information concerning AGM.

## **PART 8 - LEGALITY OF THE SERIES 2021 BONDS FOR INVESTMENT AND DEPOSIT**

Under State law, the Series 2021 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 2021 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 2021 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 2021 Bonds.

## PART 10 - TAX MATTERS

### *General*

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Series 2021 Bonds by original purchasers of the Series 2021 Bonds who are “U.S. Holders” (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Series 2021 Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2021 Bonds as a position in a “hedge” or “straddle” for United States Federal income tax purposes, U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire Series 2021 Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Series 2021 Bonds, including any prospective purchaser of the Series 2021 Bonds that is not a U.S. Holder, should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Series 2021 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Certain taxpayers that are required to prepare certified financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2021 Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

As used herein, the term “U.S. Holder” means a beneficial owner of a Series 2021 Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

### *U.S. Holders—Interest Income*

In the opinion of Hawkins Delafield & Wood, LLP, Co-Bond Counsel to DASNY, (i) interest on the Series 2021 Bonds is not excludable from gross income for United States Federal income tax purposes; and (ii) interest on the Series 2021 Bonds is exempt, under existing statutes, from personal income tax imposed by the State of New York or any political subdivision thereof (including The City of New York).

### *U.S. Holders—Disposition of Series 2021 Bonds*

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2021 Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder’s adjusted tax basis in the Series 2021 Bond. A U.S. Holder’s adjusted tax basis in a Series 2021 Bond generally will equal such U.S. Holder’s initial investment in the Series 2021 Bond, decreased by the amount of any payments, other than qualified stated interest payments, received with respect to such Series 2021 Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2021 Bond was held for more than one year.

### *U.S. Holders—Defeasance*

U.S. Holders of the Series 2021 Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2021 Bonds to be deemed to be no longer outstanding under the resolution of the Series 2021 Bonds (a “defeasance”), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Series 2021 Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Series 2021 Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

### *U.S. Holders—Backup Withholding and Information Reporting*

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal and payments of interest on a Series 2021 Bond and the proceeds of the sale of a Series 2021 Bond before maturity within the United States. Backup withholding at a rate provided for in the Code, will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

### *Miscellaneous*

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2021 Bonds under state law and could affect the market price or marketability of the Series 2021 Bonds.

Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed form of the opinion of Hawkins, Delafield & Wood LLP, Co-Bond Counsel, relating to the Series 2021 Bonds is set forth in APPENDIX G – Proposed Forms of Approving Opinions of Co-Bond Counsel attached hereto.

## **PART 11 - CONTINUING DISCLOSURE**

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the Institution and FIT will enter into a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Holders of the Series 2021 Bonds with Digital Assurance Certification, L.L.C., as disclosure dissemination agent, and the Trustee. The proposed form of the Continuing Disclosure Agreement is attached hereto as APPENDIX H – Proposed Form of Agreement to Provide Continuing Disclosure.

In the past five years, the Institution and FIT have not failed to comply, in any material respects, with any previous continuing disclosure undertaking entered into in connection with any offerings.

## **PART 12 - STATE NOT LIABLE ON THE SERIES 2021 BONDS**

The Act provides that notes and bonds of DASNY 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 DASNY. The Resolution specifically provides that the Series 2021 Bonds are not a debt of the State and that the State is not liable on them.

## **PART 13 - COVENANT BY THE STATE**

The Act states that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of DASNY'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 DASNY and with the holders of DASNY's notes or bonds.

## **PART 14 - LEGAL MATTERS**

Certain legal matters incidental to the authorization and issuance of the Series 2021 Bonds by DASNY are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and McGlashan Law Firm, P.C., New York, New York, Co-Bond Counsel to DASNY, whose approving opinions will be delivered with the Series 2021 Bonds. The proposed forms of Co-Bond Counsel's opinions are set forth in APPENDIX G – Proposed Forms of Approving Opinions of Co-Bond Counsel attached hereto.

Certain legal matters will be passed upon for the Institution and FIT by their General Counsel, Stephen Tuttle, Esq. Certain legal matters will be passed upon for the Underwriter by its counsel, Katten Muchin Rosenman LLP, New York, New York.

## **PART 15 - UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase the Series 2021 Bonds from DASNY at a purchase price of \$31,410,423.01 (which is equal to the par amount of the Series 2021 Bonds, less an underwriter's discount of \$259,576.99), and to make a public offering of the Series 2021 Bonds at a price that is not in excess of the public offering price stated on the inside cover page of this Official Statement. The Underwriter is obligated to purchase all of the Series 2021 Bonds if any are purchased.

J.P. Morgan Securities LLC ("JPMS"), the Underwriter of the Series 2021 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Series 2021 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2021 Bonds that such firm sells.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financing and non-financial activities and services. The Underwriter and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Institution or FIT, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Institution or FIT.

## **PART 16 - VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The mathematical accuracy of the mathematical computations of (i) the adequacy of the cash, the maturing principal amounts and the interest on the Defeasance Securities deposited with the Trustee to pay the principal and interest coming due on the Refunded Bonds on and prior to their respective maturity dates as described in “PART 4 - PLAN OF REFUNDING AND FINANCE” and (ii) the yield on the Defeasance Securities will be verified by The Arbitrage Group.

## **PART 17 - MUNICIPAL ADVISOR**

Lamont Financial Services Corporation (the “Municipal Advisor”) serves as the independent registered municipal advisor to DASNY on matters relating to debt management. In connection with the Series 2021 Bonds, the Municipal Advisor has provided advice as to the plan of financing and the structuring of the Series 2021 Bonds and has reviewed and commented on certain legal documentation including this Official Statement. The Municipal Advisor has not audited, authenticated or otherwise verified the information provided by FIT and the Institution or the information set forth in this Official Statement or any other information available to the Institution or DASNY with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## **PART 18 - INDEPENDENT AUDITORS**

The financial statements of FIT Student Housing Corporation as of and for the years ended June 30, 2020 and 2019, as well as the financial statements of the Fashion Institute of Technology as of and for the years ended June 30, 2020 and 2019, which are included as APPENDIX C, have been audited by KPMG LLP, independent auditors, as stated in their reports appearing therein.

KPMG LLP, the Institution’s and FIT’s independent auditors, has not been engaged to perform, and has not performed, any procedures on any documents or portions of documents incorporated by reference relating to AGM or AGL, that have been incorporated by reference into this Official Statement.

## **PART 19 - RATING**

S&P Global Ratings (“S&P”) has assigned a rating of “AA” (stable outlook) to the Series 2021 Bonds, based on the understanding that the Policy insuring the scheduled repayment of principal and interest due with respect to the Series 2021 Bonds will be issued by AGM upon the issuance of the Series 2021 Bonds.

Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following addresses: S&P, 55 Water Street, New York, New York 10041. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2021 Bonds.

## **PART 20 - MISCELLANEOUS**

Reference in this Official Statement to the Act, the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Mortgages and the Policy do not purport to be complete. Refer to the Act, the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Mortgages and the Policy for full and complete details of their provisions. Copies of the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Mortgages and the Policy are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2021 Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2021 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2021 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 set forth herein relating to DASNY under the heading “PART 6 – DASNY” has been obtained from DASNY. All other information herein has been obtained by the Underwriter from the Institution and FIT and other sources deemed to be reliable by the Underwriter, and is not to be construed as a representation by DASNY or the Underwriter. In addition, DASNY does not warrant the accuracy of the statements contained herein relating to the Institution or FIT nor does it directly or indirectly guarantee, endorse or warrant (i) the creditworthiness or credit standing of the Institution or FIT, (ii) the sufficiency of the security for the Series 2021 Bonds or (iii) the value or investment quality of the Series 2021 Bonds.

Information relating to DTC and the book-entry system described herein is based on information provided by DTC and is believed to be reliable, but none of DASNY, the Underwriter, the Institution or FIT makes any representations or warranties whatsoever with respect to such information.

The specimen Policy attached hereto as APPENDIX I – Specimen Municipal Bond Insurance Policy and the information in “PART 1–INTRODUCTION – Bond Insurance Policy” and “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – The Bond Insurance Policy” was supplied by AGM. None of DASNY, the Underwriter, the Institution or FIT makes any representations or warranties whatsoever with respect to such information.

APPENDIX B - Certain Definitions, APPENDIX D - Summary of Certain Provisions of the Lease Agreement, APPENDIX E - Summary of Certain Provisions of the Operating Agreement, APPENDIX F - Summary of Certain Provisions of the Resolution and APPENDIX G – Proposed Forms of Approving Opinions of Co-Bond Counsel, have been prepared by Hawkins Delafield & Wood LLP and McGlashan Law Firm, P.C., Co-Bond Counsel to DASNY.

APPENDIX C - FIT Student Housing Corporation Financial Statements as of and for the Years Ended June 30, 2020 and 2019, and Fashion Institute of Technology Financial Statements as of and for the Years Ended June 30, 2020 and 2019, contains the audited financial statements of the Institution and FIT with independent auditors reports thereon.

The Institution and FIT have reviewed the parts of this Official Statement describing the Institution and FIT, respectively, including the portions of APPENDIX A – Certain Information Relating to FIT Student Housing Corporation and Fashion Institute of Technology containing information on the Institution and FIT, respectively, and the portions of APPENDIX C – FIT Student Housing Corporation Financial Statements as of and for the Years Ended June 30, 2020 and 2019, and Fashion Institute of Technology Financial Statements as of and for the Years Ended June 30, 2020 and 2019, with independent auditors reports thereon, containing the financial statements of the Institution and FIT, respectively. The Institution also reviewed the parts of this Official Statement describing the Source of Payment and Security for the Series 2021 Bonds, the Series 2021 Bonds, the Plan of Refunding and Finance, the Estimated Sources and Uses of Funds and the Bondholders’ Risks. It is a condition to the sale and the delivery of the Series 2021 Bonds that each of the Institution and FIT, respectively, certify that, as of each such date, the parts of this Official Statement reviewed by the Institution and FIT, respectively, 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. Neither the Institution nor FIT make any representation as to the accuracy or completeness of any other information included in this Official Statement.

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

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

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

By: /s/ Reuben R. McDaniel, III  
Authorized Officer

**CERTAIN INFORMATION RELATING TO FIT STUDENT HOUSING CORPORATION  
AND FASHION INSTITUTE OF TECHNOLOGY**

**[THIS PAGE INTENTIONALLY BLANK]**

## Table of Contents

INTRODUCTION .....	A-1
Fashion Institute of Technology .....	A-1
FIT Student Housing Corporation .....	A-1
FIT HISTORY AND MISSION .....	A-2
FIT Mission .....	A-2
FIT Vision .....	A-2
INSTRUCTIONAL PROGRAMS .....	A-3
Two-Year Associate Degree Programs .....	A-3
One-Year Associate Degree Programs .....	A-3
Baccalaureate Degree Programs .....	A-3
Evening/Weekend Degree Programs .....	A-3
Online Degree Programs .....	A-4
Credit Certificate Programs .....	A-4
TEACHING AND LEARNING .....	A-4
Faculty .....	A-4
Liberal Arts .....	A-4
Minors .....	A-4
Industry Advisory Boards .....	A-4
Beyond the Classroom .....	A-4
Internships and Career Placement .....	A-4
GOVERNANCE .....	A-5
FIT Board of Trustees .....	A-5
Fashion Institute of Technology .....	A-5
FIT Student Housing Corporation .....	A-6
CAMPUS AND FACILITIES .....	A-6
The Museum at FIT .....	A-8
School of Graduate Studies .....	A-8
The Conference Center at FIT .....	A-8
Residence Halls .....	A-8
New Academic Building Project .....	A-9
OPERATING INFORMATION .....	A-10
Admissions .....	A-10
Enrollment .....	A-10
Tuition and Other Student Charges .....	A-11
Financial Aid .....	A-12
Faculty .....	A-13

ANNUAL FINANCIAL STATEMENT INFORMATION .....	A-13
City aid, state aid, county aid and loan from FIT to the Institution.....	A-15
Employee relations, including material information about union contracts .....	A-15
Retirement Plans .....	A-16
Endowment and Similar Funds .....	A-16
Outstanding Indebtedness .....	A-16
Restricted Investments Held by the Bond Trustee .....	A-17
Capital Assets.....	A-17
Pension Expense.....	A-17
Total OPEB Obligation .....	A-18
Transactions with Affiliates .....	A-18
COVID-19 .....	A-19
Financial Impact.....	A-19
CARES Act Grants and Stimulus Bill.....	A-19
Remote and Online Classes.....	A-19
On-Campus Testing.....	A-19
Campus and Facilities .....	A-21
Residence Halls Health and Safety Protocols and Policies .....	A-21
NOTABLE ALUMNI.....	A-23

## INTRODUCTION

### **Fashion Institute of Technology**

The Fashion Institute of Technology (“FIT”) is a community college under the State University of New York (“SUNY”) and is sponsored by the New York City Department of Education.

FIT is a specialized college of art and design, business, and technology devoted to preparing men and women for careers in fashion, design, and its related professions and industries, and also providing leadership preparation and a full range of liberal arts courses, as well as counseling and placement services, extracurricular activities, and access to the cultural life of New York City (the “City”). FIT has four academic schools: Art and Design; Business and Technology; Liberal Arts; and Graduate Studies. FIT offers nearly 50 programs and grants Associate in Applied Science (“AAS”), Bachelor of Fine Arts (“BFA”), Bachelor of Science (“BS”), Master of Arts (“MA”), Master of Fine Arts (“MFA”), and Master of Professional Studies (“MPS”) degrees, preparing students for professional success and leadership in the new creative economy. FIT occupies five buildings located on a two-block square campus bounded by 7th and 8th Avenues and West 26th to 28th Streets in the Borough of Manhattan.

Founded in 1944 as the answer to the recognized needs of the fashion industry for professionally prepared people, FIT is a unique institution. In 1951, FIT became one of the first community colleges under SUNY empowered to grant the AAS degree. In 1975, an amendment to the education law of New York State (the “State”) was approved, permitting FIT to confer BFA and BS degrees. Four years later, another amendment was approved authorizing the granting of master’s degrees. FIT receives its principal support from State and City appropriations and grants as well as from tuition revenue.

FIT’s location places its students at the heart of the fashion, advertising, visual arts, design, business, and communications industries. FIT views the City as a laboratory for learning and living, and FIT makes use of the City’s unparalleled cultural and commercial resources to enrich its programs and enhance each student’s opportunity for personal and professional growth. Frequent visits by students to design studios, museums and galleries, production and distribution centers, and retail establishments complement the regular visits to FIT’s campus by business leaders who discuss current trends, new developments, and technological changes. Industry research and development, seminars, job placements, workshops, executive forums, and many other activities are enhanced by their location in the City. Additionally, FIT’s extensive internship program provides students with vital professional experience.

### *Accreditation*

FIT is a fully accredited member of the Middle States Association of Colleges and Secondary Schools, the National Association of Schools of Arts and Design, and the Council for Interior Design Accreditation. In addition, the Museum at FIT (“MFIT”), a department of FIT, received the highest national recognition for a museum – accreditation from the American Alliance of Museums (“AAM”). Accreditation, which is awarded to only 6% of America’s museums, signifies the highest level of excellence. The AAM accrediting commission found MFIT not only to have “one of the most important collections of its type” but also to meet “national standards and best practices for a U.S. museum.” It also found FIT “to be a good steward of its resources held in the public trust and committed to a philosophy of continual institutional growth.” Finally, eleven degree programs in the Jay and Patty Baker School of Business and Technology are accredited by the Accreditation Council for Business Schools and Programs.

### **FIT Student Housing Corporation**

FIT Student Housing Corporation (the “Institution”) is a not-for-profit corporation formed by FIT to own and operate certain dormitories for FIT. The Institution owns Nagler Hall, a 10-story building built in 1960, Coed Hall, a 15-story building built in 1975, Alumni Hall, an 18-story building that commenced operations in August 1988, and Kaufman Hall, a 15-story building that commenced operations in August 2006. The Board of Trustees of FIT (the “FIT Board”) also serves as the Board of Directors for the Institution (the “Institution’s Board”). The Institution’s Board establishes the room and board rates.

## **FIT HISTORY AND MISSION**

FIT was founded in 1944 to prepare men and women for work in the fashion industry as it grew in size and scope. Seven years later, FIT became the second community college of SUNY and the first in the City to grant the AAS degree. As the curricula expanded beyond fashion to include business, communications, and design, FIT's degree offerings also expanded. In 1975, an amendment to the education law of New York State was approved, permitting FIT to confer BFA and BS degrees. Four years later, another amendment authorized the granting of master's degrees, and the first master's programs were introduced in 1985.

FIT now offers 48 degree programs in a range of design and business fields, including fashion, that have made the City their focal point. Students who come to FIT to study these specialized programs are goal oriented, setting their sights high in their chosen fields of study. Today, approximately 9,000 United States and international students are enrolled in FIT's diverse curricula, attending classes day and evening, year-round, online and on campus, in the City, throughout the country, and around the world.

FIT is a public institution, receiving its principal financial support from the State and the City. FIT is governed by the FIT Board, whose members are active professionals committed to developing talent. Local sponsorship comes from the New York City Department of Education in cooperation with the Fashion Institute of Technology Foundation ("FIT Foundation").

FIT is firmly committed to creating an environment that will attract and retain people of diverse racial and cultural backgrounds. By providing a learning and working environment that encourages, utilizes, respects, and appreciates the full expression of every individual's ability, the FIT community fosters its mission and grows because of its rich, pluralistic experience.

FIT is equally committed to prohibiting discrimination in its employment, programs, and activities, whether based on race, color, national origin, sex, gender, gender identity, religion, ethnic background, age, disability, marital status, sexual orientation, military service status, genetic information, pregnancy, familial status, citizenship status (except as required to comply with law), or any other criterion prohibited by applicable federal, state, or local laws.

### **FIT Mission**

FIT prepares students for professional excellence in design and business through rigorous and adaptable academic programs, experiential learning, and innovative partnerships. A premier public institution in the City, FIT fosters creativity, career focus, and a global perspective and educates its students to embrace inclusiveness, sustainability, and a sense of community.

### **FIT Vision**

FIT will be globally celebrated as the institution where students, scholars, and teachers cross traditional disciplinary boundaries to stimulate innovation, partner with creative industries worldwide, and develop innovative design and business solutions. By focusing on the three major goals, FIT will become stronger by conscious design and be known as a strategic organization—one that applies available resources to greatest effect to achieve its vision.

1. **Academic and Creative Excellence** – FIT will provide a rigorous learning experience built on the highest standards of academic and scholarly excellence, an environment that promotes creativity and experimentation, and diverse experiential learning with a variety of industry partners.
2. **An Innovation Center** – FIT will work with industries worldwide to help address key challenges, build an even stronger culture of innovation and entrepreneurship at FIT, and establish collaborations that translate creative ideas into action.
3. **An Empowered Student Community** – FIT will build an inclusive community in which students engage with, learn from, and inspire one another—discovering how their differences and similarities promote creativity, intellectual and personal growth, and understanding.



## **INSTRUCTIONAL PROGRAMS**

### **Two-Year Associate Degree Programs**

Fifteen programs leading to an AAS degree are offered. Majors are designed for full-time, two-year students, but part-time and evening/weekend programs leading to the AAS degree are available in some majors.

The 15 two-year associate degree programs include: Communication Design Foundation; Fashion Design; Fine Arts; Footwear & Accessories Design; Illustration; Interior Design; Jewelry Design; Menswear; Photography and Related Media; and Textile/Surface Design all within the School of Art and Design; additionally – Advertising and Marketing Communications; Fashion Business Management; Production Management: Fashion and Related Industries; and Textile Development and Marketing all within the Jay and Patty Baker School of Business and Technology; and – Film and Media within the School of Liberal Arts.

### **One-Year Associate Degree Programs**

Seven one-year AAS programs are offered for students who have completed at least 30 transferable credits at a college, with 24 credits equivalent to FIT's General Education requirements, or who hold a four-year degree from a college.

The seven one-year associate degree programs include: Communication Design Foundation; Fashion Design; Footwear & Accessories Design; and Textile/Surface Design within the School of Art and Design; and – Advertising and Marketing Communications; Fashion Business Management; and Textile Development and Marketing within the Jay and Patty Baker School of Business and Technology.

### **Baccalaureate Degree Programs**

Fourteen programs leading to a BFA degree and 12 leading to a BS degree are offered. Majors offered by the School of Art and Design lead to the BFA degree; majors offered by the Jay and Patty Baker School of Business and Technology and the School of Liberal Arts lead to the BS degree. Majors are designed for full-time, two-year students, but part-time and evening/weekend students may also meet the requirements in some of the majors.

The 26 baccalaureate degree programs include:

Advertising & Digital Design; Computer Animation and Interactive Media; Fabric Styling; Fashion Design (with specializations in Children's Wear, Intimate Apparel, Knitwear, Special Occasion, and Sportswear); Fine Arts; Footwear & Accessories Design; Graphic Design; Illustration; Interior Design; Packaging Design; Photography and the Digital Image; Textile/Surface Design; Toy Design; and Visual Presentation and Exhibition Design all within the School of Art and Design. Additionally, Advertising and Marketing Communications; Cosmetics and Fragrance Marketing; Direct and Interactive Marketing; Entrepreneurship for the Fashion and Design Industries; Fashion Business Management; Home Products Development; International Trade and Marketing for the Fashion Industries; Production Management: Fashion and Related Industries; Technical Design; and Textile Development and Marketing all within the Jay and Patty Baker School of Business and Technology. Lastly, Art History and Museum Professions; and Film and Media both within the School of Liberal Arts.

### **Evening/Weekend Degree Programs**

FIT provides students with the opportunity to complete an associate or baccalaureate degree through evening and/or weekend study. These programs are coordinated by the academic departments and schools. All associate programs lead to the AAS degree; baccalaureate programs lead to the BS degree.

The associate degree programs available through evening/weekend study include Fashion Design in the School of Art and Design; and Advertising and Marketing Communications (one-year option also available); and Fashion Business Management (one-year option also available) – both in the Jay and Patty Baker School of Business and Technology.

The baccalaureate degree programs available through evening/weekend study include: Advertising and Marketing Communications; Fashion Business Management; and International Trade and Marketing for the Fashion Industries – all within the Jay and Patty Baker School of Business and Technology.

### **Online Degree Programs**

FIT offers two degrees that can be completed fully online: the Fashion Business Management One-Year AAS degree program; and the International Trade and Marketing for the Fashion Industries BS degree program – both in the Jay and Patty Baker School of Business and Technology.

### **Credit Certificate Programs**

FIT offers a number of credit certificate programs that provide students with the opportunity to enhance their skills in specialized fields. Nonmatriculated students may enroll in credit certificate programs. Upon successful completion of a concentrated sequence of credit-bearing courses, and with faculty recommendation, students are granted a certificate of completion.

## **TEACHING AND LEARNING**

### **Faculty**

FIT's approach to teaching blends theory and practice, encouraging exploration and research, experiential learning, and openness to new ideas. FIT's dedicated faculty are drawn from professionals in design, arts, business, and academia, bringing to the classroom insights from their own creative and authoritative work. Courses are structured to foster student-instructor interaction, independent thinking, and self-expression.

### **Liberal Arts**

The School of Liberal Arts offers three degree programs and nearly 35 minors. Courses help students acquire knowledge across the humanities, natural sciences, and social sciences, and build critical thinking and communication skills. The School of Liberal Arts' Presidential Scholars honors program offers academically accomplished students in all majors an enriched learning environment of rigorous classes and shared scholarly extracurricular activities.

### **Minors**

Minors are available through the schools of Liberal Arts, Art and Design, and Business and Technology. Minors enrich students' education by enabling them to broaden their knowledge in an area related to their major, to study across disciplines, or to explore another field of interest.

### **Industry Advisory Boards**

Many FIT degree programs are supported by advisory groups, drawn largely from FIT's highly placed alumni. They consult with faculty to keep the curriculum current and industry relevant, arrange field trips, help students identify career options, and work to maintain close ties between FIT and industry.

### **Beyond the Classroom**

FIT makes extensive use of the City's resources through industry-sponsored competitions, projects, and field trips—real-world opportunities that connect the classroom and the workplace and give students exposure to their industry. Among the many organizations students have worked with: Sephora, Carolee, PVH, Soma, and the NFL.

### **Internships and Career Placement**

Internships can be an essential part of the FIT experience. FIT's extensive internship program provides students with vital experience in a vast array of State and City corporate offices, design studios, retail operations, and web-based companies. Sponsors have included American Eagle, Bloomingdale's, Calvin Klein, Opening Ceremony, L'Oréal, and Saatchi & Saatchi. Nearly one-third of student interns are offered employment after graduation. Job placement services, including career-building workshops and resources, are available to students, and lifetime services are offered to alumni.

## GOVERNANCE

### FIT Board of Trustees

The FIT Board establishes policies governing FIT. Subject to the approval of the Board of Trustees of SUNY, the FIT Board appoints the FIT president, approves curricula, approves budgets, establishes tuition and fees within legal limits, and approves sites and facilities. It is responsible for the care, custody, control and management of FIT's physical facilities. The FIT Board sets policies and delegates to the president or her designees the responsibility for implementing them, including but not limited to: personnel policies; the creation of divisions, departments, and administrative and academic positions; rules governing student conduct; the use of college facilities by outside organizations; the admission of students; and the preparation of the budget. The FIT Board also has such other powers and duties as provided by State law or prescribed by the SUNY Board of Trustees.

#### *Members of the FIT Board*

- Robin Burns-McNeill, *Chair*
- Jaqui Lividini, *Vice Chair*
- Mona Aboelnaga Kanaan
- Richard A. Anderman
- Judith I. Byrd
- Gabrielle Fialkoff
- Yaz Hernández
- Joan B. Hornig
- Beverly S. Mack
- Elizabeth T. Peek
- Deirdre Quinn
- Robert Savage
- Sally Singer
- Eric Siathone, *Student Trustee*

### Fashion Institute of Technology

FIT is operated and maintained as a community college under the program of SUNY; with the New York City Department of Education (the successor entity to the Board of Education) as local sponsor and with the cooperation of the FIT Foundation (the successor entity to the Educational Foundation for the Fashion Industries), in accordance with article 126 of the Education Law of the State of New York (Education Law), as it may be amended from time to time.

FIT is administered by the FIT Board as provided by the Education Law, as it may be amended from time to time.

The number of trustees on the FIT Board shall be sixteen: eight appointed by the local sponsor (one of whom may be a member of such sponsor); seven appointed by the governor from among persons who reside in the City; and one elected by and from among the students of FIT. The student member shall be afforded the same parliamentary privileges as are conferred upon voting members, including but not limited to, the right to make and second motions and to place items on the agenda. The student member shall be subject to every provision of any general, special or local law, ordinance, charter, code, rule or regulation applying to the members of such board with respect to the discharge of their duties including, but not limited to, those provisions setting forth codes of ethics, disclosure requirements and prohibiting business and professional activities. The election of the student member shall be conducted in accordance with rules and regulations promulgated by FIT's representative campus student association in accordance with guidelines established by the state university trustees. In the event that the student member ceases to be a student at FIT, he or she shall be required to resign from the FIT Board. The one member elected by and from among the students of FIT may be removed by such students in accordance with rules and regulations promulgated

by FIT's representative campus student association in accordance with guidelines promulgated by the state university trustees.

The term of each trustee shall be seven years, except for the student member who shall serve for one year. All terms shall commence on July 1. A trustee, having entered on the duties of office, shall hold over and continue to discharge the duties of office after the expiration of his or her term until a successor is appointed.

### **FIT Student Housing Corporation**

The Institution is managed by the Institution Board and all corporate power shall vest in the Institution Board.

The members of the FIT Board shall be the directors of the Institution Board. Whenever any director ceases to be a member of the FIT Board, he or she shall cease to be a director of the Institution Board without further action by the Institution.

The term of each director shall coincide with his or her term as trustee on the FIT Board.

The officers of the Institution shall be a chair and a vice chair of the board, president, treasurer, assistant treasurer, secretary, assistant secretary and such other officers as the board of directors shall deem necessary and appropriate. Except for the chair and vice chair, no other officers need also be directors. Any two offices may be held by the same person except the offices of chair or president and secretary or assistant secretary.

## **CAMPUS AND FACILITIES**

FIT's nine-building campus occupies an entire block in the Chelsea neighborhood of Manhattan, an area filled with galleries, shops, cafés, museums, restaurants, and theaters catering to the City's eclectic cultural scene. The campus provides a vibrant, supportive environment for our uncommonly creative community. Campus highlights include the Gladys Marcus Library and the renowned MFIT, which houses one of the world's most important collections of fashion and textiles. In addition to a range of specialized labs, studios, and technologies geared to FIT's academic programs, FIT offers a full-service dining hall, athletic facilities, and a Barnes & Noble bookstore. FIT has four residence halls—three residence halls are located on West 27th Street and a fourth is on nearby West 31st Street—offering single-, double-, triple-, and quad-occupancy rooms and apartments.

### **Fred P. Pomerantz Art and Design Center**

Along with the academic and administrative offices of the School of Art and Design, the Pomerantz Center houses display and exhibit design rooms; drawing, painting, photography, printmaking, and sculpture studios; a graphics laboratory; a model-making workshop; and the Katie Murphy Amphitheatre. An innovative new gallery located in the lobby provides exhibition space for the school's students, faculty, and alumni as well as outside artists.

### **PrintFX and Fablab**

A professionally staffed graphics laboratory, PrintFX has high-resolution, large-format printers to accommodate banners, CAD prints, displays, fine art prints, overlays, photography, posters, presentation graphics, and textile proofs. FabLab services include 3D printing, laser cutting, vinyl cutting, and button pin printing. The self-service area offers scanning, trimming, soft proofing, 3D desktop scanning, sensor handheld 3D scanning, haptic pens, and Wacom Cintiqs.

### **Marvin Feldman Center and the Business and Liberal Arts Center**

The Marvin Feldman and Business and Liberal Arts centers house academic and specialized classrooms, cutting and sewing labs, design studios, a multimedia foreign languages lab, knitting labs, and the Morris W. and Fannie B. Haft Theater. Specialized facilities include the fabrics and findings lab, which replicates the resources and techniques used by working fashion designers. Also located in these buildings are the academic and administrative offices for the Jay and Patty Baker School of Business and Technology and the School of Liberal Arts.

### **Peter G. Scotese Computer-Aided Design and Communications Center**

The center enables Art and Design students to explore technology for use in advertising, animation, fashion, interiors, packaging, photography, textiles, and toys. Baker School of Business and Technology students use the labs for patternmaking, textile development, production management, and more. The center is also available to students in the schools of Liberal Arts and Graduate Studies and the Center for Continuing and Professional Studies.

The center offers access to both Mac and Windows operating systems, and supports specialized coursework in various programs. Labs are available with peripherals and software applications from Adobe, Apple, AutoDesk, Corel, Dassault Systèmes, Gerber, IBM, JDA, Lectra, NedGraphics, Nemetschek, Pointcarré, Pulse, Stoll, and many others.

### **David Dubinsky Student Center**

This eight-story building offers facilities for both academic and extracurricular activities. These include arts and crafts studios, lounges, the student-run Style Shop boutique, student government and club offices, a radio station, gyms and dance studios, and a state-of-the-art fitness center. Students are encouraged to take advantage of the full range of services and activities offered by Student Life, located on the seventh floor. Also in the center are Health Services, the Counseling Center, Disability Support Services (FIT-ABLE), Educational Opportunity Programs, and Financial Aid Services. The dining hall and Barnes & Noble bookstore are here as well.

Academic facilities in Dubinsky include the Toy Design lab, Jewelry Design studios, the Annette Green Fragrance Foundation Studio, the design/research lighting lab, and a television studio.

### **Shirley Goodman Resource Center**

The center, on Seventh Avenue, houses the Gladys Marcus Library, MFIT, and the School of Graduate Studies.

### **Gladys Marcus Library**

The library, on the fourth, fifth, and sixth floors of the Goodman Resource Center, holds more than 300,000 print, nonprint, and digital resources. The periodicals collection includes more than 400 current subscriptions, specializing in international design and trade publications. Electronic resources include more than 150 searchable databases hosted by FIT, the New York State Library, and SUNYConnect. All databases are available remotely, via login, 24 hours a day. The library also offers specialized resources, such as fashion and trend forecasting services, FIT Archive on Demand, and sketch collections.

The library includes three classrooms, Mac and PC workstations, printers, scanners, and self-service copiers. The library entrance is on the fifth floor, which is home to Research and Instructional Services, Access Services, and the main book collection. The sixth floor holds open lab areas, a maker space, an art resource lab, and VR stations. On the fourth floor are print newspapers and periodicals, forecasting services, and the Special Collections and FIT Archives unit.

Special Collections holds rare books that have been vetted for rarity or importance in the fields of fashion, textile, costume, and interior design, and other creative areas. The collection includes more than 6,000 linear feet of periodicals, oral histories, and designer scrapbooks. Our unique manuscript collections contain works on paper, including many original designer sketches, and are especially strong in documenting American fashion design from the late 19th century through the 1970s and the history of the City's Seventh Avenue Garment District.

Collection highlights include: A. Beller and Company fashion sketches; Bergdorf Goodman Custom Salon fashion sketches; Marc Bohan for Christian Dior fashion sketches; Lucile, Lady Duff Gordon manuscript collection; and FIT Talks, an oral history program of the creative industries.

The Gladys Marcus Library is closed due to the COVID-19 pandemic but continues to offer online resources and support.

## **The Museum at FIT**

MFIT is the City's only museum dedicated to the art of fashion. Michael Kors calls it "the fashion insider's fashion museum." Founded in 1969 by FIT, MFIT's mission is to educate and inspire diverse audiences through innovative exhibitions and public programs that advance knowledge of fashion.

MFIT has a world-class permanent collection that encompasses more than 50,000 garments and accessories, dating from the 18th century to the present, including 4,000 pairs of shoes. Every year, the museum organizes four fashion exhibitions, two in the Special Exhibitions Gallery, which are accompanied by publications and symposia, and two in the Fashion History Gallery, which is the only venue in the United States to offer a permanent (rotating) display of 250 years of fashion, drawn solely from the museum's collections. In addition, Gallery FIT is dedicated to student exhibitions.

MFIT is accredited by the AAM, and its director and chief curator, Dr. Valerie Steele, is a member of the Association of Art Museum Directors. In addition to its exhibitions, the museum organizes an extensive array of specialized classes, tours, and public programs.

All exhibitions and public programs are free to the public, and the museum attracts more than 100,000 visitors a year. Due to COVID-19, MFIT is temporarily closed with no date to reopen having yet to be established.

## **School of Graduate Studies**

FIT offers seven graduate programs. The MA programs are Art Market Studies; Exhibition and Experience Design; and Fashion and Textile Studies: History, Theory, Museum Practice. The MFA programs are Fashion Design and Illustration. The MPS programs are Cosmetics and Fragrance Marketing and Management and Global Fashion Management. The administrative and faculty offices, classrooms, laboratories, study collections, and research room for the graduate programs are housed on the third, fourth, and sixth floors of the Goodman Center.

## **The Conference Center at FIT**

The Conference Center at FIT features conference and training rooms for industry seminars and workshops. The Conference Center also houses the John E. Reeves Great Hall, a nearly 6,400-square-foot venue for exhibitions, fashion shows, lectures, trade shows, and other large events.

## **Residence Halls**

FIT's four residence halls—Alumni Hall, Coed Hall, Nagler Hall, and the George S. and Mariana Kaufman Hall ("Kaufman Hall")—provide single-, double-, triple-, and quad-occupancy rooms and suites, all with laundry facilities, cable TV, and wireless internet connections. Meal plans are required in Alumni Hall, Coed Hall and Nagler Halls, and are available for all students living in college housing. FIT residence halls are 100 percent alcohol-, drug-, and tobacco-free. Rates for housing and meal plan income, initially approved by the Institution Board, are subject to ratification by the FIT Board.

FIT's four residence halls house a total of 2,300 students. FIT's four residence halls provide traditional-style and apartment-style accommodations. Traditional residence hall-style rooms have shared bathrooms, and students in these rooms are required to have a meal plan through FIT's dining services. Apartment-style accommodations are available in all four residence halls; a meal plan is not required for students in apartments.

- **Coed Hall:** Offers traditional double and triple accommodations, double apartments, and a limited number of quad apartments.
- **Nagler Hall:** Female-only residence hall offering mainly traditional-style double accommodations (without air conditioning) and a limited number of air-conditioned double and single apartments.
- **Alumni Hall:** Offers quad apartments only.
- **Kaufman Hall:** For current/returning FIT students and summer housing for visiting interns. Offers mainly double apartments, with a limited number of triple, quad, and single apartments available.

Below we provide additional details on the residence halls including address, square feet, stories, and year built.

	<b>ALUMNI HALL</b>	<b>NAGLER HALL</b>	<b>COED HALL</b>	<b>KAUFMAN HALL</b>
Address	210 West 27th Street	220 West 27th Street	230 West 27th Street	406 West 31st Street
Gross Square Feet	150,000	65,000	110,000	320,000
Stories	18 + Basement	10 + Basement	15 + Basement	15 + Penthouse
Year Built	1988	1962	1975	1914; Renovated in 2006

Below we provide FIT’s historical occupancy rates by Fiscal Year and by semester:

**Historical Blended Occupancy Rates (Average by Fiscal Year)**

	<b>FY 2017</b>		<b>FY 2018</b>		<b>FY 2019</b>		<b>FY 2020</b>		
	<b>Total Beds</b>	<b>Fall 2016</b>	<b>Spring 2017</b>	<b>Fall 2017</b>	<b>Spring 2018</b>	<b>Fall 2018</b>	<b>Spring 2019</b>	<b>Fall 2019</b>	<b>Spring 2020*</b>
<b>Alumni Hall</b>	496	493	485	484	478	483	478	494	489
		99.4%	97.8%	97.6%	96.4%	97.4%	96.4%	99.6%	98.6%
<b>Coed Hall</b>	409	398	377	382	373	392	377	393	371
		96.1%	91.1%	93.4%	91.2%	95.8%	92.2%	96.1%	90.7%
<b>Kaufman Hall</b>	1,089	1,064	1,035	1,025	1,022	1,012	968	1,072	1,033
		98.6%	95.9%	94.1%	93.8%	92.9%	88.9%	98.4%	94.9%
<b>Nagler Hall</b>	303	259	263	283	271	281	272	284	273
		85.2%	86.5%	93.4%	89.4%	92.7%	89.8%	93.7%	90.1%
<b>Total</b>	<b>2,297</b>	<b>2,214</b>	<b>2,160</b>	<b>2,174</b>	<b>2,144</b>	<b>2,168</b>	<b>2,095</b>	<b>2,243</b>	<b>2,166</b>
		<b>96.6%</b>	<b>94.2%</b>	<b>94.6%</b>	<b>93.3%</b>	<b>94.4%</b>	<b>91.2%</b>	<b>97.6%</b>	<b>94.3%</b>
<i>Average of two semesters</i>		<i>95.4%</i>		<i>94.0%</i>		<i>92.8%</i>		<i>96.0%</i>	

\* See “COVID-19” below for information on the effect of COVID-19 on dormitory occupancy rates for Fall 2020.

**New Academic Building Project**

FIT’s New Academic Building project will transform FIT’s identity. The 10-story, approximately \$139 million LEED Gold building will contain 110,000-square-foot of much-needed additional smart classrooms, studios, student assembly space, and administrative offices.

The new building will be located directly behind and will connect to the Feldman Center, in a 75-foot setback from the West 28th Street property line. The project’s design reflects FIT’s embrace of openness, exploration and the robust exchange of ideas and will enliven West 28th Street, bringing light and animation to the street level. The project is strongly supported by the students and faculty of FIT, and received unanimous approval from Manhattan Community Board Five.

The total budget is \$189 million and is funded by the State (50%), the City (48%), and FIT fundraising (2%).

Contracts for construction have been signed and construction meetings are underway. The estimated completion and opening of the new building is Spring 2024.

## OPERATING INFORMATION

### Admissions

The number of full-time equivalent students attending FIT in the 2019-2020 academic year was 8,428. The following table indicates the applications received, students accepted and students enrolled for the fall semester over the past five years.

#### ENTERING ASSOCIATE DEGREE STUDENTS

	<u>Fall 2016</u>	<u>Fall 2017</u>	<u>Fall 2018</u>	<u>Fall 2019</u>	<u>Fall 2020</u>
Total Applications	4,634	4,740	4,507	4,563	4,471
Acceptances	1,874	2,230	2,374	2,464	2,654
Acceptance Rate	40%	47%	53%	54%	59%
Number Enrolled	1,275	1,315	1,344	1,416	1,299
Yield	68%	59%	57%	57%	49%

### Enrollment

The following table summarizes FIT's enrollment history for the past five years.

#### ENROLLMENT SUMMARY

	<u>Fall 2016</u>	<u>Fall 2017</u>	<u>Fall 2018</u>	<u>Fall 2019</u>	<u>Fall 2020</u>
<b>Headcount</b>					
Undergraduate	9,153	8,783	8,676	8,508	7,973
Graduate	183	193	212	218	232
<b>Total Headcount</b>	<b>9,336</b>	<b>8,976</b>	<b>8,888</b>	<b>8,726</b>	<b>8,205</b>
Full-Time	7,520	7,424	7,497	7,505	7,169
Part-Time	1,816	1,552	1,391	1,221	1,036
<b>Total Headcount</b>	<b>9,336</b>	<b>8,976</b>	<b>8,888</b>	<b>8,726</b>	<b>8,205</b>
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<b>Full-Time Equivalent Enrollment*</b>					
Undergraduate	8,812	8,486	8,219	8,154	8,275
Graduate	170	147	164	146	153
<b>Total Full-Time Equivalent</b>	<b>8,982</b>	<b>8,633</b>	<b>8,383</b>	<b>8,300</b>	<b>8,428</b>

\*Full-Time Equivalent Enrollment is a calculated number based on credit hours and enrollment in applicable semesters. For example, Fiscal Year 2020 Full-Time Equivalent Enrollment values are based on credit hours and enrollment for the Fall 2019, Winter 2019, Spring 2020, and Summer 2020.

All full-time students are matriculated. Approximately 62% of the students enrolled (full and part-time) are State residents. Of the remaining, 29% come from around the United States and 9% come internationally. FIT does not maintain statistics on its students' SAT scores.



## Tuition and Other Student Charges

The resident Associate Degree tuition, room, board and mandatory fees for full-time students at FIT for the past five academic years are as follows:

### ANNUAL TUITION AND FEES (Full-Time Students)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>In-State</b>					
Lower Division	\$4,500	\$4,590	\$4,690	\$4,890	\$5,190
Upper Division	6,470	6,470	6,670	6,870	7,070
Graduate	10,870	10,870	11,206	11,542	11,542
<b>Out-of-State</b>					
Lower Division	13,500	13,770	14,070	14,670	15,570
Upper Division	19,592	19,592	20,192	20,792	21,392
Graduate	22,210	22,210	22,898	23,586	23,586
Mandatory Fees	730	745	793	850	920

### ANNUAL DORMITORY RATES

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Alumni Hall</b> (496 beds)	\$12,750	\$12,998	\$13,258	\$13,523	\$13,929
<b>Nagler Hall</b>					
Double Room (283 beds)	8,750	8,910	9,088	9,270	9,548
Double Suite (16 beds)	12,120	12,350	12,598	12,850	13,235
Single Suite (4 beds)	20,190	20,578	20,990	21,409	22,052
<b>Kaufman Hall</b>					
Single Suite (11 beds)	20,190	20,578	20,990	21,409	21,926
Double Suite (752 beds)	13,810	14,076	14,358	14,645	14,999
Triple Suite (240 Beds)	12,750	12,998	13,258	13,523	13,851
RA Suite (30 Beds)	12,120	12,350	12,590	12,850	13,161
Quadruple Suite (56 beds)	12,750	12,998	13,258	13,523	13,851
<b>Coed Hall</b>					
Double Room (265 beds)	9,140	9,308	9,494	9,685	9,975
Triple Room (54 Beds)*	N/A	N/A	7,122	7,263	7,955
Double Suite (79 beds)	13,810	14,076	14,358	14,645	15,084
Quad Suite (16 beds)	12,750	12,998	13,258	13,523	13,929

\* In Fiscal Year 2018 a portion of the double rooms were converted into triple rooms.

## Financial Aid

FIT’s students benefit from numerous scholarship and financial aid programs. Full-time degree-seeking United States citizens/eligible noncitizens may be eligible for need-based institutional, federal, or state financial assistance to support their cost of attendance at FIT.

A federal financial aid award may include a Pell Grant, Federal Supplemental Educational Opportunity Grant, subsidized or unsubsidized student loan, Federal Work Study, or a PLUS loan for parents of undergraduate degree-seeking students. In addition to federal financial aid, full-time degree-seeking students with demonstrated financial need who are residents of the State may be eligible for grants or scholarships, including the Tuition Assistance Program, Excelsior Scholarship, or a Dream Act Scholarship.

First-year and transfer students may be eligible for the Educational Opportunity Program if they meet the academic and financial guidelines. First-year students graduating from a City high school with an 80 average may qualify for the NYC Council Merit Scholarship contingent upon state funding.

Scholarship gifts help further FIT’s mission by providing life-changing financial support to qualified students. Full and partial scholarships are available to full-time students offering evidence of financial need and academic merit. A limited number of partial scholarships have been established for matriculated evening and weekend students who demonstrate financial need. A number of scholarships provided by the friends and families of FIT are awarded—based on aptitude, need, and/or scholastic achievement—to students who have completed a year of study at FIT. Some of these are limited to specific criteria established by the donor.

A summary of the funds provided for scholarships and financial aid and their sources for the past five Fiscal Years is as follows:

### **SOURCES OF UNDERGRADUATE SCHOLARSHIP AND GRANT AID**

	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020*</b>
New York State Grants	\$5,575,795	\$5,402,524	\$6,830,081	\$7,443,508	\$7,602,410
Federal Grants	11,342,861	10,787,468	11,721,499	12,766,736	15,883,485
New York City Grants	267,600	422,383	513,200	515,600	566,000
Other Outside Awards	1,829,743	1,745,292	1,792,981	1,729,353	1,677,515
<b>Total</b>	<b>\$19,015,999</b>	<b>\$18,357,667</b>	<b>\$20,857,761</b>	<b>\$22,455,197</b>	<b>\$25,729,410</b>

\*Included within Fiscal Year 2020 federal grants is \$2,562,375 of Higher Education Emergency Relief Grants provided to students as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act as of June 30, 2020.

[Remainder of Page Intentionally Left Blank]

## Faculty

There were 942 total faculty members employed by the Institution as of Fall 2020 of whom 226 serve full-time; 86% of the permanent full-time faculty members hold tenure. The majority of FIT's full-time faculty are appointed within one of the four principal academic ranks: Professor, Associate Professor, Assistant Professor and Instructor.

The following table sets forth the faculty profile for the last five academic years.

### FACULTY PROFILE

	<u>Fall 2016</u>	<u>Fall 2017</u>	<u>Fall 2018</u>	<u>Fall 2019</u>	<u>Fall 2020</u>
Full-Time Faculty	229	232	230	234	226
Part-Time Faculty	738	884	801	750	716
<b>Total Faculty Headcount</b>	<b>967</b>	<b>1,116</b>	<b>1,031</b>	<b>984</b>	<b>942</b>
Full-Time Equivalent Faculty	709	704	719	711	684
Tenured Faculty	197	167	199	199	195
Percentage of Full-Time Faculty with Tenure	86%	72%	87%	85%	86%

### ANNUAL FINANCIAL STATEMENT INFORMATION

The Institution's annual audited financial statements as of and for the fiscal years ended June 30, 2020 and 2019 are included in Appendix C to the Official Statement. Set forth below is certain financial information with respect to the Institution derived from the financial statements for the Institution for the Fiscal Years ended June 30, 2016 through June 30, 2020.

FIT's annual audited financial statements as of and for the fiscal years ended June 30, 2020 and 2019 are also included in Appendix C to the Official Statement.

[Remainder of Page Intentionally Left Blank]

### Institution Summary of Statements of Net Position (Fiscal Years ended June 30)

	2016*	2017*	2018*	2019	2020
Assets:					
Current assets:					
Cash and cash equivalents	\$12,391	\$12,574	\$12,574	\$13,402	\$120,532
Accounts receivable	8,705	10,356	5,760	3,626	1,002,961
Prepaid expenses and deposits	493,234	235,152	133,513	109,075	216,059
Claim on pooled cash	25,647,320	24,903,026	24,220,054	24,436,658	17,425,324
Restricted investments held by bond trustee (DASNY) – at fair value, current portion	6,879,452	6,806,377	6,953,958	7,005,287	7,108,486
Total current assets	<u>33,041,102</u>	<u>31,967,485</u>	<u>31,325,859</u>	<u>31,568,048</u>	<u>25,873,362</u>
Noncurrent assets:					
Restricted investments held by bond trustee (DASNY) – at fair value, net of current portion	9,890,403	9,903,993	9,723,099	9,733,409	9,687,222
Prepaid bond insurance	602,572	569,096	535,620	502,144	468,668
Capital assets, net	130,552,034	130,592,524	128,294,663	125,719,802	119,452,112
Total noncurrent assets	<u>141,045,009</u>	<u>141,065,613</u>	<u>138,553,382</u>	<u>135,955,355</u>	<u>129,608,002</u>
Total assets	<u>174,086,111</u>	<u>173,033,098</u>	<u>169,879,241</u>	<u>167,523,403</u>	<u>155,481,364</u>
Deferred outflows of resources:					
Deferred amount on refunding	6,716,633	6,343,487	5,970,341	5,597,195	5,224,049
Deferred amount related to OPEB	0	504	923	280,426	226,723
Total deferred outflows of resources	<u>6,716,633</u>	<u>6,343,991</u>	<u>5,971,264</u>	<u>5,877,621</u>	<u>5,450,772</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	3,141,056	4,079,532	2,724,595	3,347,402	805,486
Unearned revenue	1,218,821	1,176,599	873,600	977,657	14,664
Interest payable	3,008,413	2,907,219	2,810,719	2,704,275	2,592,319
Paycheck Protection Program loan	0	0	0	0	81,589
FIT loan payable – current portion	332,436	349,444	367,322	88,676	0
DASNY bonds payable – current portion	3,855,000	3,860,000	4,600,895	4,810,896	4,490,000
Total current liabilities	<u>11,555,726</u>	<u>12,372,794</u>	<u>11,377,131</u>	<u>11,928,906</u>	<u>7,984,058</u>
Noncurrent liabilities:					
Accrued vacation and sick leave	141,898	152,817	203,499	181,624	178,099
Paycheck Protection Program loan	0	0	0	0	128,211
Total OPEB obligation	1,050,937	757,543	789,517	1,180,690	1,293,397
FIT loan payable	8,280,564	7,931,120	7,563,798	7,474,123	7,474,123
DASNY bonds payable	120,761,125	116,355,229	111,208,438	106,397,542	101,907,541
Total noncurrent liabilities	<u>130,234,524</u>	<u>125,196,709</u>	<u>119,765,252</u>	<u>115,233,979</u>	<u>110,981,371</u>
Total liabilities	<u>141,790,250</u>	<u>137,569,503</u>	<u>131,142,383</u>	<u>127,162,885</u>	<u>118,965,429</u>
Deferred inflows of resources:					
Deferred amount related to OPEB	0	170,573	226,894	214,909	272,405
Total deferred inflows of resources	<u>0</u>	<u>170,573</u>	<u>226,894</u>	<u>214,909</u>	<u>272,405</u>
Net position:					
Net investment in capital assets	14,532,519	18,913,308	20,783,270	22,789,645	20,960,388
Restricted – expendable	3,871,039	3,899,158	4,143,239	2,147,012	4,516,167
Unrestricted	20,608,936	18,824,547	19,554,719	21,086,573	16,217,747
Total net position	<u>\$39,012,494</u>	<u>\$41,637,013</u>	<u>\$44,481,228</u>	<u>\$46,023,230</u>	<u>\$41,694,302</u>

\* In Fiscal Year 2018, the Institution adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits other than Pensions (GASB 75)*. GASB 75 replaced the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for other postemployment benefits (OPEB)*. Due to the adoption of GASB 75, OPEB costs and the OPEB obligation for the fiscal year 2017 financial statements were adjusted for retrospective application. The 2016 amounts included in the table above have not been adjusted to reflect the adoption of GASB 75.

See audited financial statements of the Institution as of and for the years ended June 30, 2020 and 2019, included in Appendix C to the Official Statement for additional information.

**Institution Summary Statements of Revenue, Expenses, and Changes in Net Position (Fiscal Years ended June 30)**

	2016*	2017*	2018*	2019	2020
Operating revenues:					
Student rentals and fees	\$30,537,012	\$30,081,614	\$29,719,138	\$29,620,123	\$23,919,554
Meal plan income	2,907,578	2,793,190	2,970,092	3,217,328	3,169,775
Other rental income	1,058,417	1,129,078	1,119,515	1,062,345	983,284
Commission income and other	355,041	346,861	382,117	415,332	88,628
Total operating revenues	<u>34,858,048</u>	<u>34,350,743</u>	<u>34,190,862</u>	<u>34,315,128</u>	<u>28,161,241</u>
Operating expenses:					
Meal contracts	2,883,780	2,837,140	3,004,120	3,157,191	3,180,923
Building operations	6,882,799	8,683,300	7,865,185	8,457,377	8,348,032
Resident life office	3,871,722	3,770,905	3,895,113	4,140,611	4,289,643
Institutional support	2,356,534	3,121,618	2,957,152	3,189,145	3,099,640
Information technology and telecommunication services	685,811	692,076	807,623	869,085	845,674
Depreciation	6,814,041	7,467,255	7,744,892	8,188,061	8,137,264
Total operating expenses	<u>23,494,687</u>	<u>26,572,294</u>	<u>26,274,085</u>	<u>28,001,470</u>	<u>27,901,176</u>
Operating income	<u>11,363,361</u>	<u>7,778,449</u>	<u>7,916,777</u>	<u>6,313,658</u>	<u>260,065</u>
Nonoperating revenues (expenses):					
Interest and investment income	288,173	416,428	516,729	586,869	525,596
Interest expense	(5,992,621)	(5,938,573)	(5,728,565)	(5,497,799)	(5,253,863)
Debt-related amortization	168,034	139,274	139,274	139,274	139,274
Total nonoperating expenses, net	<u>(5,536,414)</u>	<u>(5,382,871)</u>	<u>(5,072,562)</u>	<u>(4,771,656)</u>	<u>(4,588,993)</u>
(Decrease) increase in net position	5,826,947	2,395,578	2,844,215	1,542,002	(4,328,928)
Net position, beginning of year	<u>33,185,547</u>	<u>39,241,435</u>	<u>41,637,013</u>	<u>44,481,228</u>	<u>46,023,230</u>
Net position, end of year	<u>\$39,012,494</u>	<u>\$41,637,013</u>	<u>\$44,481,228</u>	<u>\$46,023,230</u>	<u>\$41,694,302</u>

\* In Fiscal Year 2018, the Institution adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits other than Pensions (GASB 75)*. GASB 75 replaced the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for other postemployment benefits (OPEB)*. Due to the adoption of GASB 75, OPEB costs and the OPEB obligation for the fiscal year 2017 financial statements were adjusted for retrospective application. The 2016 amounts included in the table above have not been adjusted to reflect the adoption of GASB 75.

See audited financial statements of the Institution as of and for the years ended June 30, 2020 and 2019, included in Appendix C to the Official Statement for additional information.

**City aid, state aid, county aid and loan from FIT to the Institution**

The Institution does not receive city, state or county aid. FIT received a combined total of \$121,666,675 in combined City, State and State county(ies) operating appropriations during Fiscal Year 2020. Information pertaining to the Institution loan from FIT may be found in Note 10 to the Institution’s audited financial statements as of and for the years ended June 30, 2020 and 2019 included in Appendix C to this Official Statement.

**Employee relations, including material information about union contracts**

The contract by and between FIT and the United College Employees of FIT (“UCE”), Local 3457 of the American Federation of Teachers, expired in December 2017. Negotiations were paused in the Spring of 2020 due to COVID-19 and are anticipated to resume in the Spring of 2021.

## **Retirement Plans**

Retirement plan information may be found in Notes 11 and 12 to FIT's audited financial statements as of and for the years ended June 30, 2020 and 2019 and Note 8 to the Institution's audited financial statements as of and for the years ended June 30, 2020 and 2019 included in Appendix C to this Official Statement.

## **Endowment and Similar Funds**

Neither FIT, as the primary governmental unit, nor the Institution maintains an endowment. FIT's endowment is maintained and managed by the FIT Foundation, a separate legal entity. FIT Foundation is not a party to the Series 2021 bond agreements. However, in the interest of transparency, the fair market value of the endowment held by FIT Foundation as of June 30, 2020 is \$41,868,552. More information regarding the FIT Foundation may be found in Note 2 to the FIT audited financial statements as of and for the years ended June 30, 2020 and 2019 included in Appendix C to this Official Statement.

### *The FIT Foundation*

The FIT Foundation secures financial support to advance FIT's mission. Founded in 1944 as the Educational Foundation for the Fashion Industries, the FIT Foundation serves as an advisory and fundraising arm to FIT, raising support for FIT's strategic priorities; building academic and creative excellence, empowering the student community, and working with industry leaders worldwide to build a culture of innovation and entrepreneurship at FIT. The FIT Foundation also serves as a vital conduit between FIT's alumni, friends, and donors, who further the mission of the institution through their generous support of its students, schools, departments, and programs.

The FIT Foundation is designated a tax-exempt institution under Federal Internal Revenue Service Code Section 501(c)(3).

FIT aspires to meet the needs of every student, to remove barriers to enrollment, and to ensure that an education is accessible to all admitted students, regardless of family income. The FIT Foundation recognizes the urgent need to substantially increase the amount of financial aid available to students and actively engages alumni, friends, foundations, fashion-related industries, and corporations in support of generous scholarships that provide an affordable educational experience to deserving students who contribute to the diversity of FIT's student body.

## **Outstanding Indebtedness**

In June 2004, DASNY issued its FIT Student Housing Corporation Insured Revenue Bonds, Series 2004 (the "Series 2004 Bonds") in the principal amount of \$144,545,000. The proceeds of the Series 2004 Bonds were used by the Institution to purchase and renovate a building at 406 West 31st Street for use as a 1,100 bed dormitory (currently known as Kaufman Hall). There are no Series 2004 Bonds currently outstanding under DASNY's FIT Student Housing Corporation Revenue Bond Resolution, adopted April 28, 2004, as supplemented (the "Bond Resolution").

In May 2007, DASNY issued its FIT Student Housing Corporation Insured Revenue Bonds, Series 2007 (the "Series 2007 Bonds") in the principal amount of \$110,935,000 to refinance a portion of the Series 2004 Bonds. There is currently \$94,265,000 aggregate principal amount of the Series 2007 Bonds outstanding under the Bond Resolution, of which \$14,940,000 is expected to be refunded with proceeds of DASNY's FIT Student Housing Corporation Insured Revenue Bonds, Series 2021.

Information concerning the Institution's DASNY bonds payable may be found in Note 7 to the Institution's audited financial statements as of and for the years ended June 30, 2020 and 2019 included in Appendix C to this Official Statement. Information concerning the FIT's DASNY bonds payable may be found in Note 7 to FIT's audited financial statements as of and for the years ended June 30, 2020 and 2019 included in Appendix C to this Official Statement.

## Restricted Investments Held by the Bond Trustee

The investments held by the bond trustees over the past five Fiscal Years are as follows:

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Debt service fund	\$6,879,452	\$6,806,377	\$6,953,958	\$7,005,287	\$7,108,486
Debt service reserve fund	9,890,403	9,903,993	9,723,099	9,733,409	9,687,222
<b>Total</b>	<b>\$16,769,855</b>	<b>\$16,710,370</b>	<b>\$16,677,057</b>	<b>\$16,738,696</b>	<b>\$16,795,708</b>

The funds are invested in securities with maturities of less than one year.

## Capital Assets

Capital assets include buildings, improvements, furniture, and fixtures. Capital assets are defined by the Institution as equipment and furnishings with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years, and construction/renovation projects costing more than \$10,000. Capital assets are carried at cost for those assets purchased by the Institution. Costs incurred for repairs and maintenance are charged to expense as incurred.

A summary of the capital assets of the Institution for the five Fiscal Years as follows:

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Land (nondepreciable)	\$12,408,700	\$12,408,700	\$12,408,700	\$12,408,700	\$12,408,700
Buildings	62,341,610	62,341,610	62,341,610	62,341,610	62,341,610
Renovations and improvements	125,674,242	132,204,182	137,451,213	143,064,413	144,933,987
Capitalized software	13,600	13,600	13,600	13,600	13,600
Furniture / fixtures / equipment	10,720,520	11,698,325	11,898,325	11,898,325	11,898,325
Total	\$211,158,672	\$218,666,417	\$224,113,448	\$229,726,648	\$231,596,222
Accumulated depreciation	(80,606,638)	(88,073,893)	(95,818,785)	(104,006,846)	(112,144,110)
Net capital assets	\$130,552,034	130,592,524	\$128,294,663	\$125,719,802	\$119,452,112

More information regarding capital assets may be found in Note 6 to FIT's audited financial statements as of and for the years ended June 30, 2020 and 2019 and Note 4 to the Institution's audited financial statements as of and for the years ended June 30, 2020 and 2019 included in Appendix C to this Official Statement.

## Pension Expense

The Institution's full-time employees participate in the SUNY Optional Retirement Program ("ORP"), which is a multiple-employer, defined contribution plan administered by separate vendors – TIAA-CREF, Fidelity Investments, Met Life, VALIC, and VOYA.

The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such there are no forfeitures reported by these plans if an employee is terminated prior to vesting.

Employees who joined the ORP after July 27, 1976 and have less than 10 years of service or membership are required to contribute 3% of their salary. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

Employer contributions range from 8% to 15% depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the ORP.

For more information regarding the Institution's ORP pension, refer to Note 8 to the Institution's audited financial statements as of and for the year ended June 30, 2020 and 2019 included in Appendix C to this Official Statement.

### **Total OPEB Obligation**

The Institution's total OPEB obligation at June 30, 2020 and 2019 was \$1,293,397 and \$1,180,690, respectively. The total OPEB obligation for the June 30, 2020 measurement date was based on an actuarial valuation date of June 30, 2020. The total OPEB obligation for the June 30, 2019 measurement date was rolled forward from the actuarial valuation as of June 30, 2017 to June 30, 2019.

#### *Contributions*

The terms of the plan are determined through collective bargaining among FIT, UCE, and the City. FIT (and its component organizations) historically has funded the plan on a pay-as-you-go basis and does not anticipate prefunding the plan. In the Fiscal Years ended 2020 and 2019, current expenses funded for the Institution were \$5,194 and \$4,893, respectively.

#### *Plan Description*

FIT provides healthcare benefits to eligible retirees of FIT and its component organizations (including the Institution) through the New York City Health Insurance Program. In addition, FIT reimburses a portion of the Part B premium for Medicare-eligible retirees and covered spouses; also, FIT makes contributions to the welfare fund of the UCE. The plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. The plan is classified as a single employer defined benefit plan under GASB No. 75. No assets are accumulated in a trust that meets the criteria under GASB No. 75.

#### *Changes in the Total OPEB Obligation*

The following is a summary of changes in the Total OPEB obligation for the past 4 years:

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Total OPEB obligation, beginning of year	\$818,322	\$757,543	\$789,517	\$1,180,690
Service cost	96,116	74,547	68,425	91,167
Interest	26,001	29,710	33,109	44,424
Differences between expected and actual experience	529	467	670	7,384
Changes in assumptions and other inputs	(179,145)	(68,306)	293,862	(25,074)
Actual benefit payments	(4,280)	(4,444)	(4,893)	(5,194)
Net changes (OPEB expense)	(60,779)	31,974	391,173	112,707
Total OPEB obligation, end of year	\$757,543	\$789,517	\$1,180,690	\$1,293,397

More information regarding the Institution's OPEB obligation may be found in Note 9 to the Institution's audited financial statements as of and for the years ended June 30, 2020 and 2019 included in Appendix C to this Official Statement.

### **Transactions with Affiliates**

FIT leases from the Institution garage space and the top floor of Alumni Hall for FIT's President and an apartment in Kaufman Hall for FIT's Vice Presidents, for a total of \$183,253 and \$172,749 during Fiscal Years 2020 and 2019, respectively. This amount is included in other rental income in the Institution's statement of revenues, expenses, and changes in net position.



FIT charged the Institution \$795,612 and \$799,104 as a management fee for billing, collection, purchasing, disbursements, accounting, and record-keeping assistance provided during Fiscal Years 2020 and 2019, respectively, which is reported as institutional support in the Institution's statement of revenues, expenses, and changes in net position.

## **COVID-19**

### **Financial Impact**

In Fiscal Year 2020, the COVID-19 pandemic had a significant impact on FIT's operations. The campus closed to students on March 13, 2020 and refunded 50% of the fees paid for the spring term for dorm rental and fees. The Institution also refunded the unused portion of spring term balances of meal plans. In total, the Institution processed \$7,362,504 in refunds for dorm rentals, fees, and unused meal plans. Included within the accounts receivable of the Institution is a \$905,123 prepayment for meal services which was refunded to the Institution because of the campus closure for COVID-19. COVID-19 had a continuing impact on the Institution in Fall 2020 where the dorm occupancy rates decreased by as much as 90%.

### **CARES Act Grants and Stimulus Bill**

FIT has distributed \$3,439,250 to 2,320 students under Section 18004(a)(1) of the CARES Act as of September 21, 2020. FIT determined 2,381 students were eligible to participate in programs under Section 484 in Title IV of the Higher Education Act of 1965 and thus eligible to receive Emergency Financial Aid Grants under the CARES Act.

The recently adopted federal Stimulus bill includes \$7 million in support of FIT, half of which is earmarked for direct student aid, leaving \$3.5 million for support of FIT, which should allow FIT to end the fiscal year with a balanced budget. However, FIT cannot predict the final amount of federal aid that may be received or restrictions on its use, and anticipates that whatever the level of federal aid it eventually receives, such aid will not fully offset the costs to and other impacts on FIT.

### **Remote and Online Classes**

All Fall 2020 undergraduate classes are being offered in online and remote environments. All winter and Spring 2021 classes, with the exception of some classes in the School of Graduate Studies, will continue to be offered online and remote only. Class sections listed as "online" are conducted in a traditional online environment, with students logging in on their own schedule to do the coursework. "Remote" classes meet via teleconference at scheduled course times when attendance is required; students receive login information and instructions after they register.

FIT is using a hybrid approach for teaching studio/lab courses in the School of Graduate Studies. FIT's on-campus graduate-level courses in Fall 2020 are those dependent upon access to specialized equipment and facilities. Select courses from the following programs are available for in-person instruction: Art Market Studies, Cosmetics and Fragrance Marketing and Management, Exhibition and Experience Design, Fashion Design, Global Fashion Management, and Illustration.

### **On-Campus Testing**

In accordance with the State's and SUNY's COVID-19 containment and response strategy, FIT has partnered with Quest Diagnostics to administer COVID-19 tests to on-campus members of the FIT community on a weekly basis. Mandatory testing began for students on September 25, 2020; mandatory testing for employees began October 2, 2020.

On-campus members of the FIT community are defined as: students who are using studios and labs for designated work time, students living in Kaufman residence hall, graduate students attending classes on campus, and FIT employees scheduled to work on campus on a recurring, weekly basis or who access campus regularly.

FIT is testing students designated to be on campus for Fall 2020 and faculty and staff who are scheduled to work on campus on a weekly basis.

Testing is mandatory for students who regularly access campus. This student population falls into three main categories: residential, students utilizing labs/studios on campus, and graduate students taking classes at FIT for Fall 2020. FIT can currently accommodate approximately 3,000 students safely with all appropriate social distancing and additional PPE measures in place; current on-campus usage by students is below 1,000.

At this time, students designated to be on campus for Fall 2020 are:

- Residential students (220 students)
- Students utilizing labs/studios on campus (150 students)
- Graduate students (130 students)

FIT administration has entered into an agreement with the UCE for mandatory testing of on-campus employees that began October 2, 2020. "On-campus employees" can include Public Safety, food services, and facilities employees as well as faculty and administrative staff who come to campus on a regular basis. There are approximately 150 employees currently eligible for testing.

FIT, in partnership with Quest Diagnostics, is testing 50% of its on-campus community members (students and employees) each week; the following week the other 50% will be tested. These two groups alternate testing every other week.

FIT is using a large-scale meeting space called the John E. Reeves Great Hall for testing, and should be accessed through its internal entrance located in the hallway between the Pomerantz and Feldman centers.

#### *Isolation and Quarantine Protocol*

In the Spring of 2021, FIT will dedicate 43 apartments in Coed Hall to accommodate students who need to quarantine due to COVID-19.

In keeping with Centers for Disease Control and Prevention ("CDC") guidelines as well as New York City Department of Health ("DOH") mandates and requirements, FIT has a clear protocol as it pertains to isolation and quarantine measures involving an FIT community member who may have been exposed to or is infected by COVID-19. This protocol includes:

#### *For Resident Students Living on Campus*

- All students living on campus live by themselves in apartments that include a bathroom.
- Any residence hall student suspected of having COVID-19 will be placed in quarantine and will be required to remain in their apartment until test results are returned. Meal plan service is in place for food delivery to students placed in isolation.
- Any student who has tested positive for COVID-19 is required to stay in isolation with daily monitoring by FIT Health Services.
- Processes are in place for food delivery, trash removal services, medication, and other necessary items associated with effectively addressing COVID-19.
- The student will be released from isolation once they are well and have been released by FIT Health Services in consultation with the local health care provider.
- FIT currently has 15 trained personnel within the EMSS and HR areas who have been trained in contact tracing. The contact tracing protocol will go into effect immediately in consultation with the New York City Department of Health. An IT process is currently in place for the data management and contact tracing.

### *For Off-Campus Students*

- Students will be referred to the NYC COVID-19 Hotel Program.
- Health Services in conjunction with the dean of students will provide necessary support and assistance to students.

### **Campus and Facilities**

All students and employees entering FIT facilities must wear a mask/face covering and show Public Safety officers a green health signal on #CampusClear. Building codes require all doors to be available for exit, so doors cannot be designated as “entrance only.” During normal (non-emergency) operations, Public Safety will encourage slowed building entry and exit to increase distances between those entering the buildings; however, 6 feet may not be realistic depending on the overall campus occupancy; therefore enforcement of masks is important. Signage is used to encourage students, faculty, and staff to self-monitor the pace of entry/exit and traffic flow patterns.

While portions of the Goodman Resource Center are open, MFIT and the Gladys Marcus Library, which are both housed in the building, are closed to in-person visitors at this time. MFIT is currently hosting online events as well as online exhibitions. Visit [fitnyc.edu/museum](http://fitnyc.edu/museum) for more information. The Gladys Marcus Library continues to provide online research and instruction support for faculty, staff, and students.

### **Residence Halls Health and Safety Protocols and Policies**

The following adjustments are being made to living public and shared spaces in the residence halls in order to create social distance and maintain health protocols.

#### *Lobbies and Common Areas*

- Furniture to be removed and stored so that lobbies can be used as a socially distanced waiting area.
- Contactless drop off area to be established in the lobby for deliveries.
- Computer lounge and work room furniture to be arranged with workstations 6 feet apart.
- Kaufman Fitness Center's status is the discretion of Athletics and Recreation.

#### *Cleaning and Maintenance*

Residential Life will work closely with campus partners for the ongoing cleaning, maintenance and servicing of the residence hall facilities. This will include:

- Adhering to hygiene, cleaning, and disinfection requirements from the CDC and DOH and maintaining logs that include the date, time, and scope of cleaning and disinfection.
- Conducting regular cleaning and disinfection of facilities and more frequent cleaning and disinfection for high-risk areas used by many individuals and for frequently touched surfaces.
- Providing and maintaining hand hygiene stations throughout the residence halls.
- Provide disposable wipes so that commonly used surfaces (e.g. light tables, sewing machines, washing machines) can be wiped down before/after use.
- Coordinate with Residential Life on protocol for performing routine and emergency maintenance on student residences and quarantine spaces.

#### *Policies*

Additional policies have been designed to be in compliance with current State and local guidelines and are subject to change as conditions may change and guidance may evolve. They are designed to provide the safest living environment possible and are reliant on each member of the residence hall community to uphold them not only for

their safety but the safety of others. Campus officials have the right to enforce these policies at any point to reduce the potential spread of COVID-19 on campus.

Failure to comply will result in disciplinary action as well as progressive sanctions as high as suspension or expulsion and/or removal from on-campus housing (and permanent denial of campus residency). Please be advised that Residential Life reserves the right to modify these policies at any time. Updates will be communicated to all on-campus students by email.

An outline of these policies includes:

- Reduced use of communal bathrooms
- Personal hygiene expectations
  - Face coverings are required whenever going outside and walking around the buildings.
  - Students must sanitize their hands whenever entering their residence hall.
- Group Gatherings
  - Face coverings are required and social distancing must be maintained, regardless of the number of attendees in the gathering.
  - Groups of 10 or less are allowed in common areas only.
  - No more than 3 students may gather at a time in apartments/suites/rooms and face coverings are required.
- Laundry Rooms
  - Face coverings are required.
  - No more than seven people are allowed in the laundry room at a time in Coed, 15 people at a time in Kaufman; only one person is allowed at a time in Alumni and Nagler.
  - Students will only use machines and not linger after use.
- Lounges/Work Rooms
  - Face coverings are required in lounge spaces.
  - Lounges are only open from 8 am to midnight.
  - No more than 10 residents are allowed in a lounge at a time.
  - Residents must properly clean their work area when done using sewing machines and equipment.
- Visitation
  - No overnight or day guest visitation is allowed.
  - Residents are unable to visit other residence halls.
  - Residents who are receiving deliveries will receive contactless deliveries in a designated lobby area.

### *Quarantine Protocols*

If a student becomes ill/tests positive for COVID-19, they must comply with a transfer to a quarantine space on campus if necessary or may be required to relinquish campus housing and return to their primary off-campus residence until such time as it is determined they are no longer infectious.

All students who are identified by contact tracing must comply with 14-day self-isolation in place where required.

All students must agree, and be prepared for at all times, full campus shelter-in-place restrictions when and if it is determined that the prevalence of confirmed cases reach a certain level or it should otherwise be required by State or campus authorities.

## NOTABLE ALUMNI

The FIT office of Alumni Engagement represents a community of more than 80,000 FIT graduates around the world. Our mission is to facilitate meaningful connections between alumni, FIT, and the creative industries, with a goal to support the advancement of FIT, our students, and alumni.

FIT alumni are found at all levels of today's global creative economy. They are influential leaders in a range of fields, and they engage in the life of FIT to benefit generations of students. They serve as guest lecturers and mentors, internship and scholarship sponsors, and members of department advisory groups. Each new graduate joins this talented, supportive community.

Distinguished FIT alumni include:

- Leslie Blodgett, Creator, bareMinerals
- Fran Boller, Executive Vice President, Nike
- Jesse Carrier and Mara Miller, Interior Designers
- Tony Chi, President and CEO, Tonychi and Associates
- David Chu, CEO and Creative Director, Georg Jensen, and Founder, Nautica
- Laverne Cox, Actress
- Randy Fenoli, Television Personality and CEO, Randy Fenoli Enterprises, Inc.
- William Frake, Motion Picture Animator and Three-time Emmy Award Winner
- Nina Garcia, Editor in Chief, *Elle*
- Zaldy Goco, Designer for RuPaul
- Norma Kamali, President and Fashion Designer, Norma Kamali, Inc.
- Calvin Klein, Founder, Calvin Klein, Inc.
- Michael Kors, Chief Creative Officer, Honorary Chairman, and Director, Michael Kors Holdings Ltd.
- Nanette Lepore, Fashion Designer and Founder, Robespierre, Inc.
- Raymond Matts, Fragrance Designer and Founder, Raymond Matts LLC
- Lucas Meier, Co-creative Director, Jil Sander
- Edward Menicheschi, Chief Global Commercial Officer, Hollywood Reporter-Billboard Group
- Bibhu Mohapatra, Fashion Designer
- Robert Rodriguez, Chief Creative Officer, Halston
- Daniel Roseberry, Artistic Director, Schiaparelli
- Ivy Ross, Vice President, Design for Hardware Products, Google
- James Rothwell, Vice President Creative Director, Wunderman
- Ralph Rucci, Fashion Designer and Founder, RR331
- Stephen A. Smith, Sportscaster
- Suzanne Tick, Textile Designer and Founder, Suzanne Tick, Inc.
- David Voss, Senior Vice President, Comcast NBC Universal

**[THIS PAGE INTENTIONALLY BLANK]**

**CERTAIN DEFINITIONS**

**[THIS PAGE INTENTIONALLY BLANK]**



## CERTAIN DEFINITIONS

In addition to other terms defined in this Official Statement, when used in summaries of the Bond Resolution (referred to in this Appendix B as the “Resolution”), the Lease Agreement (referred to in this Appendix B as the “Agreement”) or the Operating Agreement, the following terms have the meaning ascribed to them below:

“*Act*” means the Dormitory Authority Act, being and constituting Title 4 of Article 8 of the Public Authorities Law, as amended.

“*Additional Bonds*” means any Bonds other than the Series 2007 Bonds and the Series 2021 Bonds.

“*Agreement*” means the Amended and Restated Lease and Agreement, dated as of April 25, 2007, as amended and supplemented by the First Amendment to the Amended and Restated Lease and Agreement, dated as of February 3, 2021, each by and between the Authority and the Corporation, as the same may be further amended, supplemented or otherwise modified as permitted by the Resolution and by the Agreement.

“*Agreement of Lease*” means the Amended and Restated Agreement of Lease, dated as of April 25, 2007, as amended and supplemented by the First Amendment to the Amended and Restated Agreement of Lease, dated as of February 3, 2021, each by and between the Authority and the Corporation, as the same may be further amended, supplemented or otherwise modified as permitted by the Resolution and by the Agreement of Lease.

“*Annual Administrative Fee*” when used with respect to any Bond Year, means a share of the general overhead and administrative expenditures of the Authority in an amount described in the Agreement.

“*Annual Debt Service*” means the principal and interest due on the Outstanding Bonds in a fiscal year of the Corporation net of any cash and investments held by the Trustee in the Debt Service Fund or a capitalized interest account therein or in an irrevocable escrow for the payment of such principal and interest.

“*Arbitrage Rebate Fund*” means the fund so designated, created and established pursuant to the Resolution.

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

“*Authority Fee*” means the fee payable to the Authority in the amount set forth in Schedule A, and (ii) an amount set forth in the Agreement with respect to a Series of Bonds.

“*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 days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

“*Authorized Officer*” means (i) in the case of the Authority, the Chair, the Vice-Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance, the Managing Director of Construction, the Managing Director of Policy and Program Development, the Chief Financial Officer, the General Counsel, the Deputy General Counsel, the Associate General Counsel, and an Assistant 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 Corporation, any officer of the Corporation, and when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of the Corporation, or designated in writing by an officer of the Corporation to act on such officer’s behalf, to perform such act or execute such document; and (iii) in the case of the Trustee, any officer of the Trustee with direct responsibility for the administration of the Resolution and 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 an attorney or a law firm, appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

“*Bond Insurer*” or “*Insurer*” shall have the meaning with respect to a particular Series of Bonds ascribed to such term in the Bond Series Certificate fixing the terms and details of such Series of Bonds and, collectively, shall mean each insurer of the Outstanding Bonds.

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

“*Bond Year*” means 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, means the registered owner of any Bond.

“*Book Entry Bond*” means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for the participants in such Depository.

“*Building and Equipment Reserve Fund*” means the fund so designated, created and established pursuant to the Resolution.

“*Building and Equipment Reserve Fund Requirement*” means, as of any particular date of computation, the amount set forth in Series Resolutions or a Bond Series Certificate relating to a Series Resolution for such date of computation, as the same may be reduced in accordance with a Supplemental Resolution; *provided, however*, that such amount shall be reduced by the total of any amounts withdrawn from the Building and Equipment Reserve Fund and increased by the amount of each such withdrawal then required pursuant to the Agreement to have been repaid.

“*Business Day*” means 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; provided that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the issuer of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close in The City of New York.

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

“*Code*” means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder)

“*Construction Fund*” means the fund so designated, created and established pursuant to the Resolution.

“*Contract Documents*” means any general contract or agreement for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of a 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 Corporation relating to the construction of a Project, and any amendments to the foregoing

“*Corporation*” or “*Institution*” means the FIT Student Housing Corporation, a not-for-profit corporation within the meaning of Section 501(c)(3) of the Code, formed and developed to finance housing for students of FIT.

“*Cost of Issuance*” or “*Costs of Issuance*” means the items of expense incurred in connection with the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Depository, legal fees and charges, professional consultants’ fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges relating to a Credit Facility, or a Liquidity Facility, costs and expenses of refunding 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 of the Project*” or “*Costs of the Project*” means costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, environmental inspections and assessments, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising any of the foregoing, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Corporation 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 Corporation 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 moneys borrowed from parties other than the Corporation), (viii) interest on the Bonds 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 Agreement, the Agreement of Lease, a Credit Facility, a Liquidity Facility, or a remarketing agreement in connection with Option Bonds or Variable Interest Rate Bonds.

“*Credit Facility*” means any irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor 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 saving and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, 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, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance with the Resolution and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default under the Resolution.

“*Debt Service Fund*” means the fund so designated, created and established pursuant to the Resolution.

“*Debt Service Reserve Fund*” means the fund so designated, created and established pursuant to the Resolution.

“*Debt Service Reserve Fund Requirement*” means, as of any particular date of computation, an amount equal to the lesser of (x) the greatest amount required in the then current of any future calendar year to pay the sum of (i) interest on Outstanding Bonds payable during such year, excluding interest accrued thereon prior to July 1 of the next preceding year, and (ii) the principal and the Sinking Fund Installments of Outstanding Bonds payable on or prior to July 1 of such year, (y) ten percent (10%) of the net proceeds of the sale of the Bonds and (z) 125% of average annual debt service on the Bonds, except that if such amount would require a deposit of moneys therein, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of the Bonds, the

Debt Service Reserve Fund Requirement shall mean an amount equal to the maximum amount permitted under the Code to be deposited therein from the proceeds of the Bonds, as certified by an Authorized Officer of the Authority.

*“Defeasance Security”* means any of the following:

(a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations; (b) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and (c) 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 Government Obligations which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least two nationally recognized statistical rating services in the highest rating; provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

*“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.

*“Exempt Obligation”* means any of the following:

(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 by symbols such as “+” or “-” or numerical notation, by at least two nationally recognized statistical rating services not lower than the second highest rating category for such obligation; (ii) a certificate or other instrument which evidences the beneficial ownership of or the right to receive all or a portion of the payment of principal of or interest on any of the foregoing; and (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

*“Expenses”* means, for any fiscal year of the Corporation, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any taxes, incurred by the Corporation during such fiscal year, minus or before (or adding back) interest on debt of the Corporation, depreciation, amortization, and payments on debt of the Corporation to the extent such payments are treated as an expense; provided that no calculation of Expenses shall take into account: (a) any unrealized loss resulting from the disposition of, or changes in the value of, investment securities, including, but not limited to, any unrealized other-than-temporary impairment loss that is recognized in accordance with generally accepted accounting principles, (b) any extraordinary or nonrecurring expenses or losses (including without limitation any losses on the sale or other disposition of assets or facilities not in the ordinary course of business), (c) any losses on the extinguishment of debt (including any termination payments made on hedges or derivatives related to or integrated with the debt being extinguished), (d) any expenses resulting from a forgiveness of, or the establishment of reserves against debt of any affiliate of the Corporation which does not constitute an extraordinary expense, (e) any losses resulting from discontinued operations or any reappraisal, revaluation or write-down of any asset, facility or good-will, and any loss or expense resulting from adjustments to prior periods, (f) any unrealized losses on or related to, including marking to market, any hedges or derivatives, (g)

any losses or expenses or other items that would be considered to be non-cash items of the Corporation, and (h) any losses or expenses attributable to transactions between any affiliates of the Corporation.

*“Facility Provider”* means the issuer of a Credit Facility, a Liquidity Facility or a Reserve Fund Facility provided pursuant to the Resolution.

*“Federal Agency Obligation”* means any of the following:

(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 wholly comprised of any of the foregoing obligations.

*“Financial Consultant”* means a person selected by the Corporation which is not a director, officer or employee of the Corporation or the Fashion Institute of Technology, and which is a nationally recognized professional management consultant or accountant (which may be the Corporation’s external auditing firm) in the area of higher educational finance acceptable to the Trustee and the Bond Insurers and having the skill and experience necessary to render the particular opinion, certificate or report required by the provisions hereof in which such requirement appears.

*“FIT”* means the Fashion Institute of Technology, a community college of the State University of New York, organized and existing under and pursuant to the Education Law of the State.

*“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 of principal and interest 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 wholly comprised of any of the foregoing obligations.

*“Gross Proceeds”* means, with respect to any Series of Bonds, the gross proceeds of such Bonds, as such term is defined or used in the Code as it applies to such Bonds.

*“Improvements”* means any improvements to the Project or to any of the Properties.

*“Income Available for Debt Service”* means, for any fiscal year of the Corporation, the excess of Revenues over Expenses of the Corporation. As used in this definition only, *“Revenues”* means, for any fiscal year of the Corporation, the sum of (i) student rentals and fees and meal plan income, plus (ii) other operating revenues, plus (iii) non-operating revenues (other than income derived from the sale of assets not in the ordinary course of business or any gain from the extinguishment of debt or other extraordinary item or earnings which constitute capitalized interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on debt of the Corporation), as determined in accordance with generally accepted accounting principles; provided that no calculation of Revenues shall take into account: (i) any unrealized gain resulting from the disposition of, or changes in the value of, investment securities, (ii) any extraordinary or nonrecurring gains or revenues (including without limitation the net proceeds of insurance (other than business interruption issuance) and condemnation awards and any gains on the sale or other disposition of assets or facilities not in the ordinary course of business), (iii) any gains on the extinguishment of debt of the Corporation (including any termination payments received on hedges or derivatives related to or integrated with the debt being extinguished), (iv) any gains or earnings resulting from discontinued operations or any reappraisal, revaluation or write-up of any asset, facility or good-will, and any gain or revenue resulting from adjustments to prior periods, (v) any unrealized gains on or related to, including marking to market, any hedges or derivatives, (vi) any revenue or income or other items that would be considered to be non-cash items of the Corporation, and (vii) any gains or revenues attributable to transactions between any affiliates of the Corporation.

*“Investment Agreement”* means an agreement for the investment of moneys with a Qualified Financial Institution.

“*Leased Property*” means the land, appurtenances, development rights and hereditaments described in the Agreement, together with any buildings or improvements now or hereafter erected thereon.

“*Liquidity Facility*” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor 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 any state of the United States of America, 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, pursuant to which the Authority is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Resolution and of the Series Resolution authorizing such Bonds or a Bond Series Certificate.

“*Maximum Annual Debt Service*” means on any date the greatest amount required in the then current or any future Bond Year to pay the sum of: (i) interest on such Bonds payable on January 1 of such Bond Year and on July 1 of the next succeeding Bond Year, and (ii) the principal and the Sinking Fund Installments of such Bonds payable on July 1 of the next succeeding Bond Year.

“*Maximum Interest Rate*” means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, that shall be 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 Bond, that shall be the minimum rate at which such Bond may bear interest at any time.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns.

“*Mortgage*” means a mortgage granted by the Corporation to the Authority, in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property, as security for the performance of the Corporation’s obligations under the Agreement, as such Mortgage may be amended or modified from time to time with the consent of the Authority.

“*Mortgaged Property*” means the land described in a Mortgage and the buildings and improvements thereon and the fixtures therein, or the interest of the Corporation therein, as from time to time amended, supplemented or otherwise modified.

“*Operating Agreement*” means the Amended and Restated Operating Agreement, dated as of April 25, 2007, as amended and supplemented by the First Amendment to Operating Agreement, dated as of February 3, 2021, each as executed by the Corporation and FIT, as the same may be further amended, supplemented, or otherwise modified as permitted by the Resolution and by the Operating Agreement.

“*Option Bond*” means any Bond which by its terms may 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 thereof, or the maturity of which may be extended by and at the option of the Holder thereof.

“*Outstanding,*” when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except: (i) any Bond canceled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the

Resolution; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds 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 Bonds.

*“Paying Agent”* means, with respect to the Bonds of any Series, 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 the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

*“Permitted Collateral”* means (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations; (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; (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 nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and (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, without regard to qualification by symbols such as “+” or “-” or numerical notation, by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category.

*“Permitted Encumbrances”* means (i) the Agreement, the Operating Agreement, the Agreement of Lease, the Resolution, any Mortgage and any instrument recorded pursuant to the Agreement in connection with the disposition of a Project for less than fair market value, (ii) those matters referred to in any title insurance policy required by the Agreement and accepted by the Authority in connection with a Project, (iii) the encumbrances and other matters described in the Agreement, (iv) security interests, liens or other encumbrances to secure the purchase price of any equipment or furnishings, and (v) any other encumbrance or matters approved in writing by an Authorized Officer of the Authority.

*“Permitted Investments”* means (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, and (b) are fully collateralized by Permitted Collateral; (vi) 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 nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and (vii) Investment Agreements that are fully collateralized by Permitted Collateral.

*“Pledged Revenues”* means an amount in each Bond Year equal to the Maximum Annual Debt Service from (i) the rents, issues, profits and other revenues of the Corporation derived from the Project and the Properties, including amounts due from FIT pursuant to the Operating Agreement and rents and room charges received from students, faculty and staff of FIT or any other occupant, including any corporation or partnership, of the Project and the Properties by FIT on behalf of the Corporation, and (ii) the right to receive the same, and the proceeds thereof and of such right.

*“Project”* means (a) with respect to the Resolution, a “dormitory” as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of Bonds, as more particularly described in a Series Resolution authorizing the issuance of Bonds in connection with such Project (b) with respect to the Agreement, unless otherwise provided in the Bond Series Certificate executed in connection with the issuance of a Series of Bonds, the building constituting a dormitory located at 406 West 31st Street, New York (Kaufman Hall) and

(c) with respect to the Operating Agreement, the building constituting a dormitory located at 406 West 31st Street, New York, New York (Kaufman Hall).

“*Project Management Agreement*” means an agreement executed by the Authority and the Corporation for the Authority to undertake a Project.

“*Properties*” means the buildings constituting dormitories located at 210 West 27th Street, New York, New York (Alumni Hall); 220 West 27th Street, New York, New York (Nagler Hall); and 230 West 27th Street, New York, New York (Coed Hall).

“*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 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, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not 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, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; 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; (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, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; 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; (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, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not 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, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; 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; (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 moneys held under the Resolution purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above.

“*Rating Service*” means on any date each of Moody’s and S&P that then has at the request of the Authority assigned a rating to Outstanding Bonds.

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



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

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

*“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.

*“Resolution”* means the Authority’s FIT Student Housing Corporation Revenue Bond Resolution, dated April 24, 2004, 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 all payments received or receivable by the Authority pursuant to the Agreement, which are to be paid to the Trustee (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.

*“S&P”* means Standard & Poor’s Ratings Services, a Division of The McGraw Hill Companies, a corporation organized and existing under the laws of the State of New York, or its successors and assigns.

*“Securities”* means (i) moneys, (ii) Government Obligations, (iii) Exempt Obligations, (iv) any bond, debenture, note, preferred stock or other similar obligation of any corporation incorporated in the United States, which security, at the time an investment therein is made or such security is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-“ or numerical notation, not less than the second highest rating category by each Rating Agency or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and (v) common stock of any corporation incorporated in the United States of America whose senior debt, if any, at the time an investment in its stock is made or its stock is deposited in any fund or account established under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-“ or numerical notation, not less than the second highest rating category by each Rating Agency or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority.

*“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, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

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

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

*“Standby Purchase Agreement”* means an agreement by and between the Authority and another person pursuant to which such person is obligated to purchase an Option Bond or a Variable Interest Rate Bond tendered for purchase.

*“State”* means the State of New York.

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

*“Tax Certificate”* means the Tax Certificate and Agreement executed by an Authorized Officer of the Authority in connection with the issuance of Bonds of a Series.

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

*“Term of the Agreement”* means, with respect to the Series 2007 Bonds, a term commencing on May 31, 2007 and ending on July 1, 2034, unless sooner terminated as provided the Agreement, and with respect to the Series 2021 Bonds, a term commencing on February 3, 2021 and ending on July 1, 2038, unless sooner terminated as provided in the Agreement.

*“Term of the Operating Agreement”* means a term commencing on June 9, 2004 and ending on July 1, 2038 unless sooner terminated as provided in the Operating Agreement.

*“Trustee”* means the bank or trust company appointed as Trustee for the Bonds pursuant to the Resolution and having the duties, responsibilities and rights provided for in the Resolution, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

*“Variable Interest Rate”* means a variable interest rate or rates to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds, the method of computing such variable interest rate is specified in the Series Resolution authorizing such Bonds or a Bond Series Certificate and 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) or a function of such objectively determinable interest rate or rates which may be in effect from time to time or at a particular time or times; provided that such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified in each case as provided in such Series Resolution or a Bond Series Certificate or (ii) a stated interest rate that may be changed from time to time as provided in the Series Resolution authorizing such Bonds or a Bond Series Certificate; and provided that such interest rate shall be subject to a Maximum Interest Rate; and provided, further, that such Series Resolution or Bond Series Certificate shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

*“Variable Interest Rate Bond”* means any Bond which bears a Variable Interest Rate, provided 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.

**FIT STUDENT HOUSING CORPORATION  
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 AND  
FASHION INSTITUTE OF TECHNOLOGY FINANCIAL STATEMENTS AS OF AND FOR  
THE YEARS ENDED JUNE 30, 2020 AND 2019**

**[THIS PAGE INTENTIONALLY BLANK]**



**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)  
Basic Financial Statements and Required Supplementary Information  
June 30, 2020 and 2019  
(With Independent Auditors' Report Thereon)

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1-2
Basic Financial Statements:	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6-21
Required Supplementary Information – Schedule of Changes in Total OPEB Obligation and Related Ratios (Unaudited)	22



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Trustees  
FIT Student Housing Corporation:

We have audited the accompanying financial statements of the FIT Student Housing Corporation (the Corporation), a component unit of the Fashion Institute of Technology (FIT), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FIT Student Housing Corporation, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



*Other Matters*

Required Supplementary Information

U.S. generally accepted accounting principles require that the schedule of changes in total OPEB obligation and related ratios on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*KPMG LLP*

December 16, 2020



**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Statements of Net Position

June 30, 2020 and 2019

	2020	2019
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 120,532	13,402
Accounts receivable (note 1)	1,002,961	3,626
Prepaid expenses and deposits	216,059	109,075
Claim on pooled cash (note 2(c))	17,425,324	24,436,658
Restricted investments held by bond trustee (DASNY) – at fair value, current portion (note 3)	7,108,486	7,005,287
Total current assets	25,873,362	31,568,048
Noncurrent assets:		
Restricted investments held by bond trustee (DASNY) – at fair value, net of current portion (note 3)	9,687,222	9,733,409
Prepaid bond insurance	468,668	502,144
Capital assets, net (note 4)	119,452,112	125,719,802
Total noncurrent assets	129,608,002	135,955,355
Total assets	155,481,364	167,523,403
Deferred outflows of resources:		
Deferred amount on refunding (note 7)	5,224,049	5,597,195
Deferred amount related to OPEB (note 9)	226,723	280,426
Total deferred outflows of resources	5,450,772	5,877,621
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses (note 5)	805,486	3,347,402
Unearned revenue	14,664	977,657
Interest payable	2,592,319	2,704,275
Paycheck Protection Program loan (note 1)	81,589	—
College loan payable – current portion (note 10)	—	88,676
DASNY bonds payable – current portion (note 7)	4,490,000	4,810,896
Total current liabilities	7,984,058	11,928,906
Noncurrent liabilities (note 6):		
Accrued vacation and sick leave	178,099	181,624
Paycheck Protection Program loan (note 1)	128,211	—
Total OPEB obligation (note 9)	1,293,397	1,180,690
College loan payable (note 10)	7,474,123	7,474,123
DASNY bonds payable (note 7)	101,907,541	106,397,542
Total noncurrent liabilities	110,981,371	115,233,979
Total liabilities	118,965,429	127,162,885
Deferred inflows of resources:		
Deferred amount related to OPEB (note 9)	272,405	214,909
Total deferred inflows of resources	272,405	214,909
<b>Net position:</b>		
Net investment in capital assets	20,960,388	22,789,645
Restricted – expendable	4,516,167	2,147,012
Unrestricted	16,217,747	21,086,573
Total net position	\$ 41,694,302	46,023,230

See accompanying notes to financial statements.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)  
Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Student rentals and fees	\$ 23,919,554	29,620,123
Meal plan income	3,169,775	3,217,328
Other rental income (notes 2(n) and 10)	983,284	1,062,345
Commission income and other	88,628	415,332
Total operating revenues	<u>28,161,241</u>	<u>34,315,128</u>
Operating expenses:		
Meal contracts	3,180,923	3,157,191
Building operations	8,348,032	8,457,377
Resident life office	4,289,643	4,140,611
Institutional support (note 10)	3,099,640	3,189,145
Information technology and telecommunication services	845,674	869,085
Depreciation	8,137,264	8,188,061
Total operating expenses	<u>27,901,176</u>	<u>28,001,470</u>
Operating income	<u>260,065</u>	<u>6,313,658</u>
Nonoperating revenues (expenses):		
Interest and investment income (notes 2(o) and 3)	525,596	586,869
Interest expense	(5,253,863)	(5,497,799)
Debt-related amortization	139,274	139,274
Total nonoperating expenses, net	<u>(4,588,993)</u>	<u>(4,771,656)</u>
(Decrease) increase in net position	(4,328,928)	1,542,002
Net position, beginning of year	<u>46,023,230</u>	<u>44,481,228</u>
Net position, end of year	<u>\$ 41,694,302</u>	<u>46,023,230</u>

See accompanying notes to financial statements.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Cash received from operating activities	\$ 26,091,929	34,445,757
Cash paid for other than personal services	(19,800,530)	(17,107,095)
Cash paid to employees for salaries and benefits	(1,852,737)	(1,758,910)
Net cash provided by operating activities	4,438,662	15,579,752
Cash flows from capital and related financing activities:		
Purchases of capital assets	(2,301,754)	(5,859,987)
Proceeds from Paycheck Protection Program loan	209,800	—
Principal paid on College loan	(88,676)	(368,321)
Interest paid on College loan	(69,226)	(89,250)
Principal paid on DASNY loan	(4,265,000)	(4,055,000)
Interest paid on DASNY loan	(5,296,594)	(5,514,994)
Net cash used in capital and related financing activities	(11,811,450)	(15,887,552)
Cash flows from investing activities:		
Purchases of DASNY investments	(31,304,694)	(29,059,242)
Sale of DASNY investments	31,247,682	28,997,605
Interest and investment income	525,596	586,869
Claim on pooled cash	7,011,334	(216,604)
Net cash provided by investing activities	7,479,918	308,628
Increase in cash and cash equivalents	107,130	828
Cash and cash equivalents – beginning of year	13,402	12,574
Cash and cash equivalents – end of year	\$ 120,532	13,402
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 260,065	6,313,658
Depreciation	8,137,264	8,188,061
Changes in operating assets and liabilities:		
Accounts receivable	(999,335)	2,134
Prepaid expenses and deposits	(106,984)	24,438
Accounts payable and accrued expenses	(2,109,736)	869,594
Unearned revenue	(962,993)	104,057
Noncurrent liabilities, net of deferred amounts	220,381	77,810
Net cash provided by operating activities	\$ 4,438,662	15,579,752
Supplemental disclosures of cash flow information:		
Cash paid for accrued construction	(432,180)	(246,787)
Debt related amortization	139,274	139,274

See accompanying notes to financial statements.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

**(1) Organization and Nature of Activities**

FIT Student Housing Corporation (the Corporation) is a not-for-profit corporation formed by the Fashion Institute of Technology (FIT or the College) to own and operate certain dormitories for FIT. The Corporation owns Nagler Hall, a 10-story building built in 1960, Alumni Hall, an 18-story building that commenced operations in August 1988, and Kaufman Hall, a 15-story building that commenced operations in August 2006. The College's board of trustees also serves as the board of trustees for the Corporation. The board of trustees establishes the room and board rates.

The key element for inclusion in the reporting entity is based primarily on financial accountability. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, defines financial accountability in terms of a primary government (the College) that is financially accountable for the organizations that make up its legal entity. The College is financially accountable for legally separate organizations if its officers appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the College. The College may also be financially accountable for governmental organizations that are fiscally dependent on it. Other organizations for which the nature and significance of their relationships with the College are such that exclusion from the financial reporting entity would render the reporting entity's financial statements to be misleading or incomplete may also be included in the financial reporting entity. The economic resources provided by the Corporation are almost entirely for the direct benefit of the College's constituents (e.g., students, faculty, and staff). Therefore, the Corporation is considered a component unit of the College.

*Current Economic Conditions*

In fiscal 2020, the COVID-19 pandemic had a significant impact on the College's operations. The campus closed to students on March 13, 2020 and refunded 50% of the fees paid for the spring term for dorm rental and fees. The Corporation also refunded the unused portion of spring term balances of meal plans. In total, the College processed \$7,362,504 in refunds for dorm rentals, fees, and unused meal plans. Included within the accounts receivable line is a \$905,123 prepayment for meal services which was refunded to the Corporation because of the campus closure for COVID-19. As part of the funding made available in the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the Corporation received \$209,800 loan through the Paycheck Protection Program. COVID-19 had a continuing impact on the Corporation in Fall 2020 where the dorm occupancy rates decreased by as much as 90%.

**(2) Summary of Significant Accounting Policies**

**(a) Measurement Focus and Basis of Accounting**

For financial reporting purposes, the Corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Corporation's basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as promulgated by the GASB. Revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

**(b) Cash and Cash Equivalents**

Cash and cash equivalents is comprised of highly liquid investments with original maturities of 90 days or less.

**(c) Pooled Cash**

The College utilizes a pooled cash model for handling the cash management of the College and Student Housing. Under the pooled cash model, all cash receipts and payments are centralized in the College's operating bank accounts; cash in excess of immediate needs is maintained as pooled short-term investments in the College's name. The short-term investments consist of money market accounts. The College's accounting system continually tracks each auxiliary corporation's "claim on cash" as an automatic offset to each accounting transaction. At fiscal year-end, the Corporation's "claim on cash" is listed as an asset if it is positive or as a liability if it is negative.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As the claim on pooled cash is from the College's operating bank accounts, the custodial credit risk is at the College.

**(i) Cash Deposits**

The College's cash and cash equivalents are maintained in interest-bearing checking accounts. All cash and investments are held in FDIC insured commercial banks and are insured or collateralized with securities held by the College or its agent in the College's name.

**(ii) Investments**

The College's cash balances are invested in commercial bank flexible certificates of deposit. All investments are insured or collateralized with securities held by the College or its agent in the College's name.

**(d) Investments**

Investments are reported at fair value based on quoted market prices. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets available at the measurement date
- Level 2 – Inputs other than quoted prices included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for an asset or liability

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

Unexpended bond proceeds are invested by the bond trustee in money market accounts and U.S. Treasury securities, with maturity dates selected to meet anticipated cash needs of the capital projects and bond repayments for which the funds were raised.

The Corporation has determined that all of its investments, including deposits held by bond trustees are considered Level 1 in the fair value hierarchy noted above.

**(e) Capital Assets**

Capital assets include buildings, improvements, furniture, and fixtures. Capital assets are defined by the Corporation as equipment and furnishings with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years, and construction/renovation projects costing more than \$10,000. Capital assets are carried at cost for those assets purchased by the Corporation. Depreciation is calculated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	37–50
Renovations	15–37
Improvements	3–32
Capitalized software	5
Furniture/fixtures/equipment	5–15

Costs incurred for repairs and maintenance are charged to expense as incurred.

**(f) Noncurrent Assets**

Noncurrent assets include: (1) cash and other assets or resources commonly identified as those that are expected to be realized in cash or sold or consumed beyond the normal operating cycle (12 months or more) and (2) investments purchased with a long-term objective, which should not be reported as current assets, even though they are within one year of maturity, as the managerial intent was that the resources are not available for current uses or needs.

Cash and investments that are externally restricted to make debt service payments or long-term loans to students, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statements of net position.

**(g) Noncurrent Liabilities**

Noncurrent liabilities include principal amounts of debt obligations with contractual maturities greater than one year that will not be paid within the next fiscal year, other postemployment benefits (OPEB) obligation, and accrued vacation and sick leave.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

**(h) OPEB Obligation**

The Corporation recognizes its total OPEB obligation in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75). GASB No. 75 addresses accounting and financial reporting for OPEB that are provided to the employees of state and local governmental employers. The Corporation's OPEB plan is classified as a single-employer defined benefit plan under GASB No. 75 and is unfunded.

**(i) Accrued Vacation and Sick Leave**

The Corporation records the estimated value of earned unused sick and vacation pay as a noncurrent liability based on the vesting method. Under this method, vacation is vested when earned for all employees, and sick pay is vested once an employee reaches age 55 and has been employed by the Corporation for the required amount of time stipulated under the Corporation's retirement policies. Employees accrue sick leave based on the number of years employed up to a maximum rate of 17 days per year. Employees also receive annual vacation leave ranging from 20 days to 50 days and may accumulate up to a maximum of one year's entitlement. Any unused vacation pay is payable upon retirement or termination. Accumulated sick leave is forfeited unless an employee retires and has been employed the required amount of time, in which case 100% of the accrual is paid up to a maximum of 100 days.

**(j) Premiums, Discounts, and Deferred Amounts on Refundings**

Bond premiums and discounts, as well as deferred amounts on refundings, are deferred and amortized over the life of the bonds. Long-term bonds are reported net of the applicable bond premium and discount.

Deferred amounts on refunding are reported as deferred outflows of resources in the statements of net position.

**(k) Net Position**

Net position is classified into the following four categories:

*Net investment in capital assets* – This category includes capital assets, net of accumulated depreciation less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position – nonexpendable* – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Corporation does not have nonexpendable restricted net position at June 30, 2020 or 2019.

*Restricted net position – expendable* – Expendable restricted net position includes resources in which the Corporation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

*Unrestricted net position* – This category includes net position that does not meet the definition of net investment in capital assets or restricted net position. Unrestricted net position may be designated for specific purposes by actions of management or the board of trustees.

**(l) Revenue Recognition**

Revenue is recognized in the period in which services are rendered. Rental income is also derived from students occupying the premises during the winter and summer recesses and from groups who rent rooms primarily during the summer. Unearned revenue arises from billings to students for the late summer session fees collected prior to the Corporation's year-end of June 30. Commission revenue is recognized when earned.

**(m) Classification of Revenues and Expenses**

The Corporation's policy for defining operating activities in the accompanying statements of revenues, expenses, and changes in net position are those that serve the Corporation's principal purpose and generally result from exchange transactions, such as payments received for services and payments made for the purchase of goods and services. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as subsidies, interest, and investment income. The Corporation classifies all expenses as operating in the statements of revenues, expenses, and changes in net position, except for interest expense, which is classified as nonoperating.

**(n) Rental Income**

For fiscal years 2020 and 2019, other rental income includes \$558,125 and \$625,286, respectively, from apartments occupied by employees of the Corporation and its affiliates. The related expenses are charged to the Corporation's institutional support expense.

The Corporation recorded student rentals and fees of \$1,328,947 and \$1,300,186 in 2020 and 2019, respectively, for resident assistants. In fiscal years 2020 and 2019, resident assistants were provided free rooms as part of their compensation with an equivalent amount recorded as resident life office expense.

**(o) Allocated Interest Income**

On a monthly basis, interest income earned on the College's pooled short-term investments is allocated to all corporations based on their average daily claim on cash balance during the month. In fiscal years 2020 and 2019, allocated interest income was \$348,115 and \$338,547, respectively.

**(p) Income Tax Status**

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**(q) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial



**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(3) Restricted Investments Held by Dormitory Authority of the State of New York (DASNY)**

The investments held by the bond trustees at June 30, 2020 and 2019 are as follows:

		<b>2020</b>		
		<b>Cash and cash equivalents</b>	<b>U.S. Treasury bills</b>	<b>Total</b>
Debt service fund	\$	7,108,486	—	7,108,486
Debt service reserve fund		1,067	9,686,155	9,687,222
Total	\$	7,109,553	9,686,155	16,795,708
		<b>2019</b>		
		<b>Cash and cash equivalents</b>	<b>U.S. Treasury bills</b>	<b>Total</b>
Debt service fund	\$	4,851,287	2,154,000	7,005,287
Debt service reserve fund		539	9,732,870	9,733,409
Total	\$	4,851,826	11,886,870	16,738,696

The funds are invested in securities with maturities of less than one year.

Deposits held by DASNY are subject to the following risks:

**(a) Custodial Credit Risk**

Custodial credit risk for deposits held by bond trustee and amounts held by DASNY is the risk that in the event of a bank failure or counterparty failure, the Corporation will not be able to recover the value of its cash and investments in the possession of an outside party. All of the investments are held by DASNY, not in the Corporation's name.

**(b) Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. During 2020 and 2019, deposits held by DASNY were not exposed to concentration of credit risk.

**(c) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation does not have a formal investment policy for deposits held by DASNY that limits investment maturities as a means of managing its exposure to fair value losses arising from

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

increasing interest rates. Investments primarily consist of obligations of the U.S. government and are reported at fair value with maturities of one year or less.

The Corporation's investment income is comprised of the following for the years ended June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
DASNY investment income:		
Interest income	\$ 177,481	248,322
Allocated interest income	348,115	338,547
Total investment income	\$ 525,596	586,869

**(4) Capital Assets, Net**

A summary of changes in capital assets for the years ended June 30, 2020 and 2019 is as follows:

	<b>June 30, 2019</b>	<b>Additions</b>	<b>June 30, 2020</b>
Land (nondepreciable)	\$ 12,408,700	—	12,408,700
Buildings	62,341,610	—	62,341,610
Renovations and improvements	143,064,413	1,869,574	144,933,987
Capitalized software	13,600	—	13,600
Furniture/fixtures/equipment	11,898,325	—	11,898,325
Total	229,726,648	1,869,574	231,596,222
Accumulated depreciation	(104,006,846)	(8,137,264)	(112,144,110)
Net capital assets	\$ 125,719,802	(6,267,690)	119,452,112

	<b>June 30, 2018</b>	<b>Additions</b>	<b>June 30, 2019</b>
Land (nondepreciable)	\$ 12,408,700	—	12,408,700
Buildings	62,341,610	—	62,341,610
Renovations and improvements	137,451,213	5,613,200	143,064,413
Capitalized software	13,600	—	13,600
Furniture/fixtures/equipment	11,898,325	—	11,898,325
Total	224,113,448	5,613,200	229,726,648
Accumulated depreciation	(95,818,785)	(8,188,061)	(104,006,846)
Net capital assets	\$ 128,294,663	(2,574,861)	125,719,802

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

**(5) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Construction related	\$ 195,344	627,524
Vendors and other	253,685	763,866
Accrued contract labor	75,601	151,202
Accrued audit fees	37,710	36,210
Accrued expenses	231,356	1,759,935
Accrued payroll	11,790	8,665
Total accounts payable and accrued expenses	<u>\$ 805,486</u>	<u>3,347,402</u>

**(6) Noncurrent Liabilities**

A summary of changes in noncurrent liabilities for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>				
	<u>Beginning balance</u>	<u>Additions/ transfers</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Accrued vacation and sick leave	\$ 181,624	—	(3,525)	178,099	—
Paycheck Protection Program loan	—	209,800	—	209,800	81,589
Total OPEB obligation	1,180,690	117,901	(5,194)	1,293,397	—
College loan payable	7,562,799	—	(88,676)	7,474,123	—
DASNY bonds payable	111,208,438	—	(4,810,897)	106,397,541	4,490,000
	<u>\$ 120,133,551</u>	<u>327,701</u>	<u>(4,908,292)</u>	<u>115,552,960</u>	<u>4,571,589</u>
	<u>2019</u>				
	<u>Beginning balance</u>	<u>Additions/ transfers</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Accrued vacation and sick leave	\$ 203,499	—	(21,875)	181,624	—
Total OPEB obligation	789,517	396,066	(4,893)	1,180,690	—
College loan payable	7,931,120	—	(368,321)	7,562,799	88,676
DASNY bonds payable	115,809,333	—	(4,600,895)	111,208,438	4,810,896
	<u>\$ 124,733,469</u>	<u>396,066</u>	<u>(4,995,984)</u>	<u>120,133,551</u>	<u>4,899,572</u>

**(7) DASNY Bonds Payable**

The Corporation has two related outstanding insured revenue bonds issued by the DASNY.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

DASNY is a public benefit corporation of New York State, created for the purpose of financing and constructing a variety of public purpose facilities for certain educational and not-for-profit institutions. The bonds are special obligations of DASNY and are payable from a pledge of the proceeds of the bonds and payments to be made under an agreement between DASNY and the Corporation. The agreement is a general obligation of the Corporation and requires payments in December and June of the amounts of interest coming due the succeeding January and July 1, plus one-half of the amount of the principal coming due on the bonds the next succeeding July 1. In addition, the Corporation is obligated to pay certain fees and expenses of DASNY, the trustee.

The obligations for both bond issues are being funded primarily by a pledge of revenue consisting of room rents. In order to ensure that the Corporation will meet its obligations under the agreement, the Corporation subleases the property to FIT. The sublease, which is a general obligation of FIT, remains in force until the bonds and all required payments have been satisfied. FIT is obligated to pay, or provide for payment to the Corporation, the amounts the Corporation is required to make pursuant to the agreement. FIT will receive a credit against this amount for rents and room charges received. The bonds are secured by the pledges, revenues, and FIT sublease as previously discussed, as well as the mortgaged properties and security interests in the fixtures and equipment.

**(a) DASNY Series 2007**

On June 9, 2004, DASNY issued the Corporation Insured Revenue Bonds (2004 Issue) in the principal amount of \$144,545,000, with a premium of \$1,504,334. The total bond proceeds of \$146,049,334 were used to purchase and renovate a building at 406 West 31st Street for use as a 1,100 bed dormitory (which opened in August 2006). The debt service obligation is funded by a pledge of revenue consisting of room rents.

Under the initial terms of the agreement, a Debt Service Reserve Fund was established, into which \$9,895,670 was deposited. During the fiscal year 2006, in order to cover higher than estimated renovation expenses for the 31st Street dormitory, DASNY secured on behalf of the Corporation, the approval of the bond insurer to allow the funds in the Debt Service Reserve Fund to be transferred to the Construction Fund. A total of \$9,698,945 was transferred to the Construction Fund, and additional bond insurance worth \$346,348 was purchased. In addition, during fiscal years 2006 and 2007 at the request of DASNY, the Corporation transferred to DASNY a total of \$6,200,000 to cover additional construction and renovation costs.

In May 2007, DASNY issued new bonds in the principal amount of \$110,935,000 to refinance a portion of the original 2004 series bonds, which would save the Corporation an estimated \$4.4 million in debt service payments over the life of the bonds. The bonds were sold with a premium of \$14,639,189. Interest rates range from 5.00% to 5.25%. The total amount of \$98,755,000 and \$103,020,000 was outstanding as of June 30, 2020 and 2019, respectively.

**(b) DASNY Debt Service Reserve Fund**

In early 2008, FIT and the Corporation were notified by the bonds' underwriter that because the credit rating of the bond's insurance agency had been downgraded, under the terms of the bond offering the Corporation would be required to fund the debt service reserve account to the initial level of \$9,895,670 over a five-year period by making semiannual payments of \$987,243. In order to enable the

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

Corporation to make these payments, FIT agreed to loan the Corporation up to \$9,895,670 over a five-year period (note 10). The first payment to refund the debt service reserve fund was made in June 2008. In June 2012, FIT transferred an additional \$1,411,060 to the Corporation to fund the debt service reserve. As of June 30, 2020, the Corporation has made payments totaling \$7,474,123, which brought the debt service reserve fund to the required level.

**(c) Defeasance**

Of the original 2004 bonds, \$114,935,000 was refunded. As of June 30, 2020 and 2019, the remaining unamortized loss on defeasance is \$5,224,049 and \$5,597,195, respectively, which is reported on the accompanying financial statements as deferred outflows of resources.

The new bond proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account's assets and the obligation for the defeased debt are not included in these financial statements. At June 30, 2020 and 2019, \$102,120,000 and \$106,610,000, respectively remained outstanding and is considered defeased.

**(d) Repayment**

The following table presents debt service payments for the combined bonds as of June 30, 2020:

	<u>Principal</u>	<u>Premium</u>	<u>Total</u>	<u>Interest expense</u>
Year(s) ending June 30:				
2021	\$ 4,490,000	545,896	5,035,896	4,948,913
2022	4,730,000	545,896	5,275,896	4,700,588
2023	4,975,000	545,896	5,520,896	4,439,400
2024	5,235,000	545,896	5,780,896	4,164,563
2025	5,515,000	545,896	6,060,896	3,875,025
2026–2030	32,215,000	2,729,479	34,944,479	14,574,513
2031–2035	41,595,000	2,183,582	43,778,582	4,590,336
	<u>\$ 98,755,000</u>	<u>7,642,541</u>	106,397,541	<u>41,293,338</u>
Less current portion			<u>(4,490,000)</u>	
Noncurrent portion			<u>\$ 101,907,541</u>	

**(8) Pension Expense**

The Corporation's full-time employees participate in the SUNY Optional Retirement Program (ORP), which is a multiple-employer, defined contribution plan administered by separate vendors – TIAA-CREF, Fidelity Investments, Met Life, VALIC, and VOYA.

The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such there are no forfeitures reported by these plans if an employee is terminated prior to vesting.

Employees who joined the ORP after July 27, 1976 and have less than 10 years of service or membership are required to contribute 3% of their salary. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

Employer contributions range from 8% to 15% depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the ORP.

Pension expense for the years ended June 30, 2020 and 2019 was \$97,844 and \$96,915, respectively.

The total payroll for 2020 and 2019 for the Corporation's employees covered by the ORP was \$1,055,166 and \$1,081,720, respectively. Employer and employee contributions for the plan were \$32,785 and \$97,844 in 2020 and \$96,915 and \$30,289 in 2019, respectively.

**(9) Total OPEB Obligation**

**(a) Plan Description**

FIT provides healthcare benefits to eligible retirees of the College and its component organizations (including FIT Student Housing Corporation) through the New York City Health Insurance Program. In addition, FIT reimburses a portion of the Part B premium for Medicare-eligible retirees and covered spouses; also, FIT makes contributions to the welfare fund of the United College Employees of FIT (UCE). The plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. The plan is classified as a single employer defined benefit plan under GASB No. 75. No assets are accumulated in a trust that meets the criteria under GASB No. 75.

**Healthcare Coverage:** Basic coverage is provided to eligible retirees through the New York City Health Insurance Program. The plans included in this program are community rated; given the size of FIT's covered population in relation to the total covered population, FIT's actual claims experience has no effect on the premiums charged by these plans.

**UCE Welfare Fund:** FIT pays \$1,670 annually for most eligible retirees to the UCE Welfare Fund. This contribution may change periodically based on collective bargaining agreements.

**Medicare Part B Premium Reimbursement:** FIT reimburses \$58.70 a month toward Part B premium for all Medicare eligible retirees and covered spouses.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

At the June 30, 2020 valuation date, the following employees were covered by the benefit terms:

Actives	\$	13
Retirees		1
Total	\$	14

**(b) Contributions**

The terms of the plan are determined through collective bargaining among FIT, UCE, and the City of New York. FIT (and its component organizations) historically has funded the plan on a pay-as-you-go basis and does not anticipate prefunding the plan. In the fiscal years ended 2020 and 2019, current expenses funded for the Corporation were \$5,194 and \$4,893, respectively.

**(c) Total OPEB Obligation**

The Corporation's total OPEB obligation at June 30, 2020 and 2019 was \$1,293,397 and \$1,180,690, respectively. The total OPEB obligation for the June 30, 2020 measurement date was based on an actuarial valuation date of June 30, 2020. The total OPEB obligation for the June 30, 2019 measurement date was rolled forward from the actuarial valuation as of June 30, 2017 to June 30, 2019.

**(d) Actuarial Assumptions**

The total OPEB obligation in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 %
Healthcare cost trend rates:	
Pre-Medicare Plans	6.5% for 2020, decreasing to an ultimate rate of 3.8% at 2075 and years later
Medicare Plans	4.4% for 2020, decreasing to an ultimate rate of 3.8% at 2075 and years later

The mortality rates used are based on the mortality table in the Pub-2010 Public Retirement Plans Mortality Tables adjusted for mortality improvements with the Scale MP-2019 mortality improvement scale on a generational basis.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

The total OPEB obligation in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation	2.0 %
Healthcare cost trend rates:	
Pre-Medicare Plans	7.5% for 2017, decreasing 0.5% per year to an ultimate rate of 5.0% at 2022 and years later
Medicare Plans	5.0% for all years

The mortality rates used are based on the mortality table in the New York City Teacher's Retirement System Assumption report (the Silver Book). The mortality table is based on a 10-year study with a base year of 2010, which is projected to the year 2025 using the AA scale.

**(e) Changes in the Total OPEB Obligation**

	<b>2020</b>	<b>2019</b>
Total OPEB obligation, beginning of year	\$ 1,180,690	789,517
Service cost	91,167	68,425
Interest	44,424	33,109
Differences between expected and actual experience	7,384	670
Changes in assumptions and other inputs	(25,074)	293,862
Actual benefit payments	(5,194)	(4,893)
Net changes (OPEB expense)	112,707	391,173
Total OPEB obligation, end of year	\$ 1,293,397	1,180,690

**(f) Discount Rate**

The discount rate used to measure the OPEB obligation as of June 30, 2020 and 2019 was 2.21% and 3.50%, respectively, based on the Bond Buyer's 20 Bond Index.

**(g) Sensitivity of the Total OPEB Obligation to Changes in the Discount Rate**

The following presents the Corporation's total OPEB obligation calculated as of June 30, 2020 using the discount rate of 2.21%, as well as what the Corporation's obligation would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) and 1-percentage point higher (3.21%) than the current year rate:

	<b>1% Decrease (1.21%)</b>	<b>Current discount rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
OPEB obligation	\$ 1,667,337	1,293,397	1,012,954



**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

The following presents the Corporation's total OPEB obligation calculated as of June 30, 2019 using the discount rate of 3.50%, as well as what the Corporation's obligation would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) and 1-percentage point higher (4.50%) than the current year rate:

	<u>1% Decrease (2.50%)</u>	<u>Current discount rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
OPEB obligation	\$ 1,603,232	1,180,690	877,999

**(h) Sensitivity of the Total OPEB Obligation to Changes in the Healthcare Cost Trend Rates**

The following presents the Corporation's total OPEB obligation calculated as of June 30, 2020 using the healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (5.5% decreasing to 2.8%)</u>	<u>Healthcare cost trend rates (6.5% decreasing to 3.8%)</u>	<u>1% Increase (7.5% decreasing to 4.8%)</u>
OPEB obligation	\$ 959,226	1,293,397	1,786,509

The following presents the Corporation's total OPEB obligation calculated as of June 30, 2019 using the healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (5.5% decreasing to 4.0%)</u>	<u>Healthcare cost trend rates (6.5% decreasing to 5.0%)</u>	<u>1% Increase (7.5% decreasing to 6.0%)</u>
OPEB obligation	\$ 831,518	1,180,690	1,712,541

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)  
Notes to Financial Statements  
June 30, 2020 and 2019

**(i) Deferred Outflows and Inflows of Resources**

The following are components of the deferred outflows and inflows at June 30, 2020 and 2019:

	<b>2020</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ —	8,437
Change in assumption	226,723	263,968
Total	\$ 226,723	272,405
	<b>2019</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 1,511	—
Change in assumption	278,915	214,909
Total	\$ 280,426	214,909

The deferred outflow and deferred inflows of resources at June 30, 2020 will be recognized in expense as follows:

Year ended June 30:		
2021	\$	2,145
2022		2,145
2023		2,145
2024		2,145
2025		2,145
Thereafter		34,957

**(j) Annual OPEB Expense**

The Corporation's annual OPEB expense for fiscal years ended 2020 and 2019, was \$137,736 and \$104,578, respectively.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)

Notes to Financial Statements

June 30, 2020 and 2019

**(10) Transactions with Affiliates**

The College leases garage space and the top floor of Alumni Hall for the College's President and an apartment in Kaufman Hall for the College's Vice Presidents, for a total of \$183,253 and \$172,749 during fiscal years 2020 and 2019, respectively. This amount is included in other rental income in the accompanying financial statements.

The College charged the Corporation \$795,612 and \$799,104 as a management fee for billing, collection, purchasing, disbursements, accounting, and record-keeping assistance provided during fiscal years 2020 and 2019, respectively, which is reported as institutional support in the accompanying financial statements.

During fiscal years 2006 and 2007, the board of FIT approved a loan of up to \$6,300,000 to the Corporation to cover additional renovation and construction expenses relating to the Kaufman Hall. The loan has been conditioned on a promise of the Corporation to repay principal plus interest of 5% over 15 years beginning 2010. Starting July 1, 2009, the Corporation began making monthly payments of \$31,829 to the College based on a 15-year amortization schedule. As of June 30, 2020 and 2019, the total amount owed to the College was \$0 and \$88,676, respectively.

In May 2008, in order to enable the Corporation to reestablish the debt service reserve on the 2004 DASNY bonds (note 7), the board of FIT approved a loan of up to \$9,895,670 over a five-year period conditioned upon a promise to repay when the debt service reserve is no longer required. Interest on the loan will be calculated based on the average interest rate of the College's pooled short-term investments. As of June 30, 2020 and 2019, payments have been made to the debt service reserve fund by FIT, totaling \$7,474,123. This amount is included in the Corporation's noncurrent liabilities as College loan payable. Total interest expense paid to the College in fiscal years 2020 and 2019 for this loan was \$68,498.

**FIT STUDENT HOUSING CORPORATION**  
(A Component Unit of the Fashion Institute of Technology)  
Required Supplementary Information – Schedule of Changes in  
Total OPEB Obligation and Related Ratios

June 30, 2020\*

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB obligation, beginning of year	\$ 1,180,690	789,517	757,543	818,322
Service cost	91,167	68,425	74,547	96,116
Interest	44,424	33,109	29,710	26,001
Differences between expected and actual experience	7,384	670	467	529
Changes in assumptions and other inputs	(25,074)	293,862	(68,306)	(179,145)
Actual benefit payments	(5,194)	(4,893)	(4,444)	(4,280)
Net changes (OPEB expense)	<u>112,707</u>	<u>391,173</u>	<u>31,974</u>	<u>(60,779)</u>
Total OPEB obligation, end of year	\$ <u>1,293,397</u>	<u>1,180,690</u>	<u>789,517</u>	<u>757,543</u>
Covered employee payroll	1,055,166	1,081,720	1,055,337	1,029,597
Total OPEB obligation as a percentage of covered employee payroll	122.58 %	109.15 %	74.81 %	73.58 %
Changes of assumptions:				
Discount rate	2.21 %	3.50 %	3.87 %	3.58 %
Plan changes	None	None	None	None

For fiscal years 2017 to 2019 the mortality table in the New York City Teacher's Retirement System Assumption report was used. In fiscal year 2020 the mortality table in the Pub-2010 Public Retirement Plans was used.

\* Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available.

See accompanying independent auditors' report.



**FASHION INSTITUTE OF TECHNOLOGY**

Basic Financial Statements,  
Management's Discussion and Analysis,  
Required Supplementary Information,  
and Supplementary Schedules

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

# FASHION INSTITUTE OF TECHNOLOGY

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position	15
Statements of Revenues, Expenses, and Changes in Net Position	19
Statements of Cash Flows	23
Notes to Basic Financial Statements	24
Required Supplementary Information – Schedule of Changes in Total OPEB Obligation and Related Ratios (Unaudited)	63
Required Supplementary Information – Schedules of Proportionate Share, Employer Contributions and Notes – New York State Teachers' Retirement System (Unaudited)	64
<b>Supplementary Schedules – Year ended June 30, 2020</b>	
1. Schedule of Reconciliation of the College's Revenues, Expenses, and Other Changes to Audited Financial Statements	65
2. Schedule of State Operating Aid	66
3. Schedule of State-Aidable FTE Tuition Reconciliation	67



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Trustees  
Fashion Institute of Technology:

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Fashion Institute of Technology (FIT) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise FIT's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Fashion Institute of Technology, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



### *Other Matters*

#### Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedule of changes in total OPEB obligation and related ratios and schedules of proportionate share, employer contributions, and notes on pages 3 through 14 and 63 and 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise FIT's basic financial statements. The supplementary information on pages 65 through 67 is presented for purposes of additional analysis and is not a required part of the 2020 basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 basic financial statements or to the 2020 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the 2020 basic financial statements as a whole.

*KPMG LLP*

December 16, 2020



# FASHION INSTITUTE OF TECHNOLOGY

## Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

### Introduction

The Fashion Institute of Technology (the College or FIT) is a community college under the State University of New York (SUNY) and is sponsored by the Department of Education of the City of New York.

The College is a specialized college of art and design, business, and technology devoted to preparing men and women for careers in fashion, design, and its related professions and industries, and also providing leadership preparation and a full range of liberal arts courses, as well as counseling and placement services, extracurricular activities, and access to the cultural life of New York City. The College has four academic schools: Art and Design; Business and Technology; Liberal Arts; and Graduate Studies. The College occupies five buildings located on a two-block square campus bounded by 7th and 8th Avenues and West 26th to 28th Streets in the Borough of Manhattan.

Founded in 1944 as the answer to the recognized needs of the fashion industry for professionally prepared people, the College is a unique institution. In 1951, the College became one of the first community colleges under SUNY empowered to grant the Associate in Applied Science degree. In 1975, an amendment to the education law of New York State was approved, permitting the College to confer Bachelor of Fine Arts and Bachelor of Science degrees. Four years later, another amendment was approved authorizing the granting of master's degrees. The College receives its principal support from New York State and New York City appropriations and grants as well as from tuition revenue.

The College is a fully accredited member of the Middle States Association of Colleges and Secondary Schools, the National Association of Schools of Arts and Design, and the Council for Interior Design Accreditation. In addition, the Museum at FIT (MFIT), a department of the College, received the highest national recognition for a museum – accreditation from the American Alliance of Museums (AAM). Accreditation, which is awarded to only 6% of America's museums, signifies the highest level of excellence. The AAM accrediting commission found MFIT not only to have "one of the most important collections of its type" but also to meet "national standards and best practices for a U.S. museum." It also found FIT "to be a good steward of its resources held in the public trust and committed to a philosophy of continual institutional growth."

The following discussion and analysis of the financial performance and activity of the College is intended to provide an introduction to, and understanding of, the basic financial statements for the years ended June 30, 2020 and 2019 with comparative information for the year ended June 30, 2018. This section has been prepared by the management of the College and should be read in conjunction with the basic financial statements and notes thereto, which follow this section.

The basic financial statements include three financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

- Statements of net position – The statements of net position provide information about the nature and amounts of investments in resources (assets and deferred outflows) and the obligations to the College's creditors (liabilities and deferred inflows), with the difference between the two reported as net position.
- Statements of revenues, expenses, and changes in net position (SRECNP) – The statements of revenues, expenses, and changes in net position report how the College's net position changed during the year. The statement accounts for all of the year's revenues and expenses, measures the financial results of the College's operations for the year, and can be used to determine how the College has funded its costs.

## FASHION INSTITUTE OF TECHNOLOGY

### Management's Discussion and Analysis

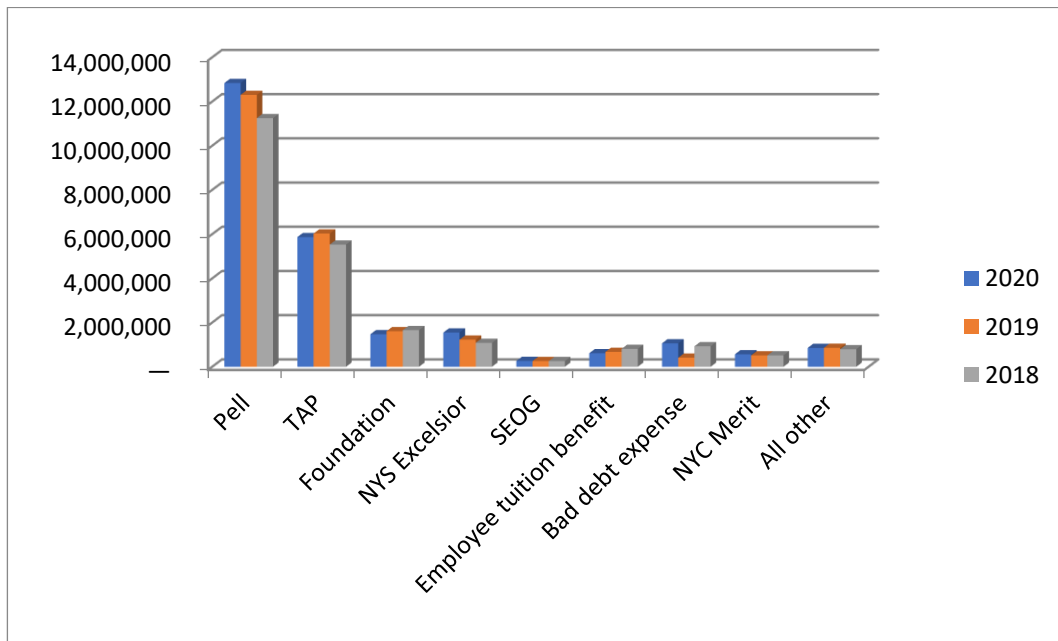
June 30, 2020 and 2019

(Unaudited)

- Statements of cash flows – The statements of cash flows provide information about the College's cash receipts, cash payments, and net changes in cash resulting from operating activities, investing activities, and capital and noncapital related financing activities.

#### Highlights Regarding the Financial Statements

- Assets, deferred outflows, liabilities, deferred inflows, revenues, and expenses are presented for the College and each of its component units, FIT Student Housing Corporation (Student Housing) and the Fashion Institute of Technology Foundation (Foundation). The following discussion only focuses on the accounts and transactions of the College.
- Assets and liabilities are categorized as either current or noncurrent; revenues and expenses are categorized as either operating or nonoperating. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an Amendment of GASB Statement No. 34*, requires that public appropriations, gifts, and investment income be presented as nonoperating revenue. As a result, public institutions will normally show an operating deficit.
- Student tuition and fee revenue is shown net of scholarship expense, employee tuition benefit expense, and bad debt expense, with the appropriate functional expenses reduced by the same amounts. Stipends and other direct payments to students are presented as student aid expense. In fiscal years 2020, 2019, and 2018, tuition and fee revenue was reduced by the following amounts represented in the graph and chart below:



**FASHION INSTITUTE OF TECHNOLOGY**

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Pell	\$ 12,834,575	12,296,148	11,246,814
NYS Tuition Assistance Program (TAP)	5,865,953	6,025,631	5,527,805
Foundation	1,469,874	1,609,722	1,658,033
NYS Excelsior	1,548,860	1,225,591	1,079,388
Federal Supplemental Educational Opportunity Grant (SEOG)	264,298	256,900	256,235
Employee tuition benefit	612,103	672,620	808,899
Bad debt expense	1,061,346	411,296	928,642
NYC Merit	566,000	515,600	513,200
All other	852,652	858,330	794,657
	<u>\$ 25,075,661</u>	<u>23,871,838</u>	<u>22,813,673</u>

In SRECNP, the costs of acquiring and improving capital assets, such as land, buildings, and equipment, are not shown, and depreciation is presented as an operating expense. The following schedule compares capital expenditures and depreciation expense for fiscal years 2020, 2019, and 2018 (note 6 – Capital Assets, Net).

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Paid from operating funds:			
Construction in progress	\$ 5,329,257	6,814,578	12,212,009
Building improvements	2,160,836	12,438,760	21,706,648
Equipment	2,460,907	2,142,250	4,454,208
Library materials	47,249	112,625	77,617
Leasehold improvements	494,300	—	252,619
Total additions	<u>\$ 10,492,549</u>	<u>21,508,213</u>	<u>38,703,101</u>
Depreciation expense	\$ 19,135,951	18,911,838	17,323,556

- Principal payments on the College's long-term debt are not presented in the SRECNP. In 2020, 2019, and 2018, total debt payments on Dormitory Authority of the State of New York (DASNY) bonds included interest expense of \$154,500, \$214,003, and \$307,596, respectively, and principal payments of \$0, \$2,885,000, and \$520,000 were made in 2020, 2019, and 2018, respectively. All principal and interest payments are funded entirely by New York State and New York City appropriations (note 7 – Bonds Payable).

## FASHION INSTITUTE OF TECHNOLOGY

### Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

#### **Reporting on Retiree Health Benefits Expense and Liability**

The College recognizes its total other postemployment benefits (OPEB) obligation in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75). GASB No. 75 establishes standards for recognizing and measuring liabilities, deferred inflows (outflows), if applicable, note disclosures, and required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (e.g., life insurance) when provided separately from a pension plan. For defined benefit OPEB, GASB No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB No. 75 requires additional disclosures as well as other required supplemental information.

GASB No. 75 does not require that the unfunded liability actually be funded, but requires only that the College account for the unfunded accrued liability. In fact, New York State legislative action would be required to permit the College to establish a trust to fund this liability. The financial statements at June 30, 2020 and 2019 include a liability in the amount of \$124.4 million and \$98.9 million, respectively, which represents the College's unfunded liability. In fiscal years 2020, 2019 and 2018, the College recognized OPEB expense of \$25.5 million, \$16.4 million and \$1.5 million, respectively. Actual OPEB contributions in each of the fiscal years 2020, 2019 and 2018 was \$1.7 million, \$1.8 million and \$1.7 million.

See note 12 – Postretirement Health Benefits for additional information.

#### **Reporting on the New York State Teachers' Retirement System Pension**

During 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB No. 68). For the New York State Teachers' Retirement System (TRS or the System) pension plan the College participates in, GASB No. 68 requires that the College's proportionate share of the System's net pension liability (asset) be reflected in the reported amounts on the statement of net position, as well as deferred inflows and outflows from pension activities. As a result, the College has recorded a participating proportion of the net pension asset of TRS.

Concurrently with the implementation of GASB No. 68, the College implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB No. 71). This Statement addresses an issue in GASB No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of GASB No. 68 by employers and nonemployer contributing entities.

At June 30, 2020, 2019, and 2018 the College's net pension asset was \$3.3 million, \$2.4 million, and \$1.2 million, respectively, which represents its proportionate share of the TRS net pension asset. The College's proportionate share of the net pension asset was based on the ratio of the College's actuarially determined employer contribution to the total TRS actuarially determined employer contribution. The net pension asset reported at June 30, 2020 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018 with update procedures used to roll forward the net pension liability to June 30, 2019.

The proportionate share of the net pension asset was 0.13%, 0.13%, and 0.15% measured at June 30, 2019, 2018, and 2017 respectively.

## FASHION INSTITUTE OF TECHNOLOGY

### Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

See note 11 – Employee Pension Benefit Plans.

#### **Statements of Net Position**

The statements of net position present the financial position of the College at the end of the fiscal year and include all assets, deferred outflows, liabilities, deferred inflows, and net position (the difference between total assets and deferred outflows and total liabilities and deferred inflows). Assets and liabilities are classified as current and noncurrent.

Current assets include: unrestricted cash and cash equivalents; investments that mature within a year; receivables and pledges due within a year; inventories; and other short-term assets, such as prepaid expenses and security deposits. Noncurrent assets include: deposits with bond trustees; restricted and long-term investments; capital assets, net of accumulated depreciation; and receivables and pledges deemed to be collectible in more than a year.

Deferred outflows include the deferred amount on refunding and deferred amount relating to pensions and OPEB. Deferred outflows of resources are a consumption of net position by the College that is applicable to a future reporting period.

Current liabilities include all accrued expenses and liabilities that are payable within the next fiscal year, current portion of bonds payable, as well as unearned revenues, principally from summer programs, and student credit balances. Noncurrent liabilities are those that are due to be paid beyond the next fiscal year, including accrued vacation and sick leave, accrued retiree health benefits payable, and the noncurrent portion of bonds payable.

Deferred inflows include deferred amounts relating to pensions and OPEB. Deferred inflows of resources are an increase in net position by the College that is applicable to a future reporting period.

Net position consists of three categories:

- Net investment in capital assets includes the institution's equity in property, plant, and equipment, net of accumulated depreciation and outstanding debt.
- Restricted net position is divided into two groups: nonexpendable and expendable. Nonexpendable net position is typically endowment type funds, which must be invested in perpetuity with only the earnings to be used as specified by the donor. Expendable restricted net position is available for expenditure for purposes as specified by the providers of the funds, including all government and private grants.
- Unrestricted net position is net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by actions of management or the board of trustees.

## FASHION INSTITUTE OF TECHNOLOGY

### Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

The following table presents a condensed summary comparison of the College's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2020, 2019, and 2018 in both the financial statement format and by asset and liability type:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020-2019 Change</u>	<u>2019-2018 Change</u>
Per financial statements:					
Assets:					
Current assets	\$ 103,047,841	103,152,994	108,180,885	(105,153)	(5,027,891)
Noncurrent assets	<u>140,061,432</u>	<u>147,029,063</u>	<u>141,803,589</u>	<u>(6,967,631)</u>	<u>5,225,474</u>
Total assets	<u>\$ 243,109,273</u>	<u>250,182,057</u>	<u>249,984,474</u>	<u>(7,072,784)</u>	<u>197,583</u>
Deferred outflows of resources:					
Deferred amount on refunding	\$ —	—	320,517	—	(320,517)
Deferred amount relating to pensions	12,021,381	14,063,334	15,409,657	(2,041,953)	(1,346,323)
Deferred amount relating to OPEB	<u>9,343,608</u>	<u>10,896,122</u>	<u>1,111,477</u>	<u>(1,552,514)</u>	<u>9,784,645</u>
Total deferred outflows	<u>\$ 21,364,989</u>	<u>24,959,456</u>	<u>16,841,651</u>	<u>(3,594,467)</u>	<u>8,117,805</u>
Liabilities:					
Current liabilities	\$ 41,308,557	57,070,597	59,878,759	(15,762,040)	(2,808,162)
Noncurrent liabilities	<u>147,700,042</u>	<u>122,977,731</u>	<u>109,385,672</u>	<u>24,722,311</u>	<u>13,592,059</u>
Total liabilities	<u>\$ 189,008,599</u>	<u>180,048,328</u>	<u>169,264,431</u>	<u>8,960,271</u>	<u>10,783,897</u>
Deferred inflows of resources:					
Deferred amounts relating to pensions	\$ 5,328,570	4,115,629	4,565,737	1,212,941	(450,108)
Deferred amounts relating to OPEB	<u>27,021,130</u>	<u>11,060,597</u>	<u>12,772,793</u>	<u>15,960,533</u>	<u>(1,712,196)</u>
Total deferred inflows	<u>\$ 32,349,700</u>	<u>15,176,226</u>	<u>17,338,530</u>	<u>15,960,533</u>	<u>(1,712,196)</u>
Net position:					
Net investment in capital assets	\$ 119,376,556	128,012,749	123,099,953	(8,636,193)	4,912,796
Restricted – expendable	24,963,862	28,187,845	23,422,692	(3,223,983)	4,765,153
Unrestricted	<u>(101,224,455)</u>	<u>(76,283,635)</u>	<u>(66,299,481)</u>	<u>(24,940,820)</u>	<u>(9,984,154)</u>
Total net position	<u>\$ 43,115,963</u>	<u>79,916,959</u>	<u>80,223,164</u>	<u>(36,800,996)</u>	<u>(306,205)</u>
By total asset and liability type:					
Assets:					
Cash and investments	\$ 74,731,145	75,527,909	64,455,299	(796,764)	11,072,610
Receivables	30,922,935	31,276,262	44,990,927	(353,327)	(13,714,665)
Due from affiliated organizations	9,415,124	7,883,460	8,229,700	1,531,664	(346,240)
Restricted deposits	343,373	415,826	836,846	(72,453)	(421,020)
Prepaid expenses and other	1,819,682	1,466,986	1,683,096	352,696	(216,110)
Restricted net pension asset	3,306,545	2,397,743	1,171,110	908,802	1,226,633
Capital assets, net	<u>122,570,469</u>	<u>131,213,871</u>	<u>128,617,496</u>	<u>(8,643,402)</u>	<u>2,596,375</u>
Total assets	<u>\$ 243,109,273</u>	<u>250,182,057</u>	<u>249,984,474</u>	<u>(7,072,784)</u>	<u>197,583</u>

## FASHION INSTITUTE OF TECHNOLOGY

### Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020-2019 Change</u>	<u>2019-2018 Change</u>
Liabilities:					
Accounts payable and accrued expenses	\$ 19,528,716	26,901,861	30,920,043	(7,373,145)	(4,018,182)
Due to pooled cash	17,425,324	24,436,658	24,220,054	(7,011,334)	216,604
Unearned revenue	3,984,517	5,732,078	4,738,662	(1,747,561)	993,416
Accrued vacation and sick leave	20,215,647	20,519,233	20,454,303	(303,586)	64,930
OPEB liability	124,391,168	98,920,626	82,556,123	25,470,542	16,364,503
Bonds payable	3,463,227	3,537,872	6,375,246	(74,645)	(2,837,374)
Total liabilities	<u>\$ 189,008,599</u>	<u>180,048,328</u>	<u>169,264,431</u>	<u>8,960,271</u>	<u>10,783,897</u>

Cash and investments decreased \$0.8 million or 1% at June 30, 2020 as compared to June 30, 2019, and increased \$11.1 million or 17.2% at June 30, 2019 as compared to June 30, 2018. The decrease in fiscal year 2020 was related to the timing of cash receipts and payments. The increase in fiscal year 2019 was related to \$17.2 million in decreased capital spending in 2019 as compared to 2018. The decreased spending was offset by \$19.6 million collected from New York State for accrued salaries and contract labor.

Receivables decreased \$0.4 million or 1% at June 30, 2020 as compared to June 30, 2019, and decreased \$13.7 million or 30.5% at June 30, 2019 as compared to June 30, 2018. The fiscal year 2020 decrease was primarily due to \$12.1 million in collections from New York State and New York City for the new academic building and other capital projects which was offset by \$10.2 million increase in receivables for county chargebacks, New York state and New York City appropriations. It was also offset by a \$3.1 million increase in Federal receivables related to the Higher Education Emergency Relief Fund (HEERF). The fiscal year 2019 decrease was primarily due to \$11.1 million in collections from New York State and New York City for receivables related to the new academic building and collections for county chargeback receivables.

Capital assets, net decreased \$8.6 million or 7% at June 30, 2020 as compared to June 30, 2019, and increased \$2.6 million or 2% at June 30, 2019 as compared to June 30, 2018. The fiscal year 2020 decrease was primarily due to capital additions of \$10.5 million offset by current year depreciation expense of \$19.1 million. The fiscal year 2019 increase was primarily due to capital additions of \$21.5 million offset by current year depreciation expense of \$18.9 million.

Accounts payable and accrued expenses decreased \$7.4 million or 27% at June 30, 2020 as compared to June 30, 2019 and decreased \$4.0 million or 12.9% at June 30, 2019 as compared to June 30, 2018. The fiscal year 2020 and 2019 decreases were primarily related to a decrease in year-end accrued expenses. The decrease was also related to a \$4.1 million reduction related in the amount due to maintenance contractors and a \$2 million reduction in capital expenditures in accounts payable.

Due to pooled cash decreased \$7.0 million or 29% at June 30, 2020 as compared to June 30, 2019, and increased \$0.2 million or 1% at June 30, 2019 as compared to June 30, 2018. The College utilizes a pooled cash model for handling the cash management of the College and its auxiliary corporation (Student Housing). Under the pooled cash model, all cash receipts and payments are centralized in the College's operating bank accounts; cash in excess of immediate needs is maintained as pooled short-term investments in the College's

## FASHION INSTITUTE OF TECHNOLOGY

### Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

name. The College's accounting system continually tracks the corporation's "claim on cash" as an automatic offset to each accounting transaction. At fiscal year-end, the corporation's "claim on cash" is listed as an asset if it is positive or as a liability if it is negative. The fiscal year 2020 decrease was primarily related to the \$7.4 million in refund payments for dorm rentals and meals processed by Student Housing as a result of the College closing in Spring 2020 for the pandemic. The fiscal year 2019 increase was due to the timing of cash receipts and disbursements.

The total OPEB liability increased \$25.4 million or 26% at June 30, 2020 as compared to June 30, 2019, and increased \$16.4 million or 20% at June 30, 2019 as compared to June 30, 2018. The increases in fiscal year 2020 and 2019 was primarily due to changes in actuarial assumptions.

Bonds payable decreased \$0.01 million or 2% at June 30, 2020 as compared to June 30, 2019, and decreased \$2.8 million or 45% at June 30, 2019 as compared to June 30, 2018. The decrease in 2020 was due to the amortization of the bond discount as no principal payments were due in 2020. The decrease in 2019 was the repayment of the College's 2000 Bond Series. The bond was repaid with \$2.6 million in appropriations from New York State along with existing funds in the debt service reserve and the debt service funds.

### Statements of Revenues, Expenses, and Changes in Net Position

The SRECNP presents the revenues earned and the expenses incurred during the year. Activities are classified as either operating or nonoperating. Revenues received and expenses incurred as a result of providing goods and services to the College's students are considered operating. Nonoperating revenues includes all revenues received for which goods and services are not directly provided, including public appropriations and financial aid programs, gifts, investment income, and capital grants and appropriations. Nonoperating expenses are primarily related to debt service expense and amortization. These recurring operating deficits (\$191 million in 2020, \$152 million in 2019, and \$165 million in 2018) demonstrate the College's dependency on public appropriations.

A condensed summary comparison of the College's revenues, expenses, and changes in net position for fiscal years 2020, 2019, and 2018 is presented in the charts and graphs on the following pages.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020–2019 Change</u>	<u>2019–2018 Change</u>
Tuition and fees, net	\$ 74,550,997	71,025,348	68,512,328	3,525,649	2,513,020
Restricted student fees	4,039,163	4,466,618	4,120,484	(427,455)	346,134
NYS grants	693,847	2,560,432	788,315	(1,866,585)	1,772,117
Federal grants	166,890	31,187	—	135,703	31,187
Local grants	532,000	631,200	631,200	(99,200)	—
FIT Foundation grants	1,750,258	2,886,128	2,510,698	(1,135,870)	375,430
Other earned revenue	4,987,988	5,870,840	4,064,418	(882,852)	1,806,422
Total operating revenue	<u>\$ 86,721,143</u>	<u>87,471,753</u>	<u>80,627,443</u>	<u>(750,610)</u>	<u>6,844,310</u>



**FASHION INSTITUTE OF TECHNOLOGY**

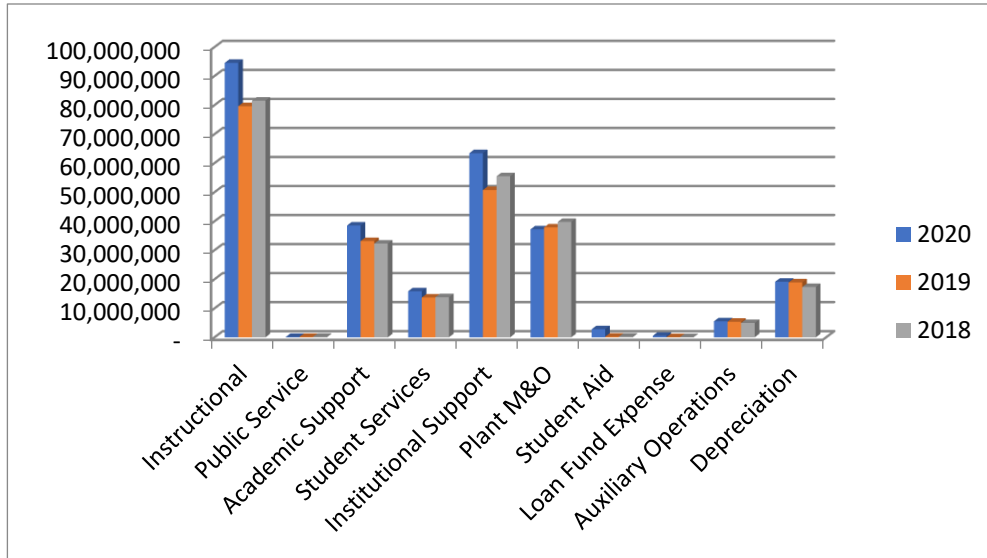
Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020–2019 Change</u>	<u>2019–2018 Change</u>
Instructional	\$ 94,540,568	79,627,240	81,525,868	14,913,328	(1,898,628)
Public service	142,834	123,950	164,811	18,884	(40,861)
Academic support	38,504,748	33,163,028	32,292,584	5,341,720	870,444
Student services	15,854,691	13,700,900	13,808,744	2,153,791	(107,844)
Institutional support	63,420,201	50,737,765	55,486,549	12,682,436	(4,748,784)
Plant management and operations	37,193,929	37,862,999	39,761,592	(669,070)	(1,898,593)
Student aid	2,784,613	213,688	218,450	2,570,925	(4,762)
Loan fund expense	512,810	43,875	48,403	468,935	(4,528)
Auxiliary operations	5,510,171	5,355,872	4,936,334	154,299	419,538
Depreciation	19,135,951	18,911,838	17,323,556	224,113	1,588,282
Total operating expenses	<u>\$ 277,600,516</u>	<u>239,741,155</u>	<u>245,566,891</u>	<u>37,859,361</u>	<u>(5,825,736)</u>
Operating loss	\$ (190,879,373)	(152,269,402)	(164,939,448)	(38,609,971)	12,670,046
Nonoperating revenues (expenses):					
Operating and financial aid appropriations	142,489,766	138,011,878	137,913,581	4,477,888	98,297
Interest and investment income	684,485	584,416	634,865	100,069	(50,449)
Debt expense	<u>(79,856)</u>	<u>(582,144)</u>	<u>(267,727)</u>	<u>502,288</u>	<u>(314,417)</u>
Nonoperating results	143,094,395	138,014,150	138,280,719	5,080,245	(266,569)
Other revenue:					
Capital appropriations, grants, and gifts	<u>10,983,982</u>	<u>13,949,047</u>	<u>20,766,919</u>	<u>(2,965,065)</u>	<u>(6,817,872)</u>
Change in net position	(36,800,996)	(306,205)	(5,891,810)	<u>\$ (36,494,791)</u>	<u>5,585,605</u>
Net position, beginning of year	<u>79,916,959</u>	<u>80,223,164</u>	<u>86,114,974</u>		
Net position, end of year	<u>\$ 43,115,963</u>	<u>79,916,959</u>	<u>80,223,164</u>		

**FASHION INSTITUTE OF TECHNOLOGY**  
 Management's Discussion and Analysis  
 June 30, 2020 and 2019  
 (Unaudited)



In fiscal year 2020, total operating revenues decreased by \$0.8 million or 1%, primarily the result of \$0.9 million decrease in other earned revenue which was related to decrease revenue from international programs that ended early due to COVID-19. Revenue decreases were attributable to \$1.9 million decrease in NYS grants and \$1.1 million decrease in support from the Foundation related to capital projects. These decreases were offset by \$3.5 million in increased tuition and fees, which was directly related to rate increases. Total operating expenses increased by \$37.9 million or 2%, primarily related a \$42.4 million expense for the OPEB obligation, net of deferrals. This was slightly offset by decreased spending during the Spring 2020 semester as a result of the campus closing for COVID-19.

In fiscal year 2019, total operating revenues increased by \$6.8 million or 9%, primarily the result of \$2.5 million in increased tuition and fees, which was directly related to rate increases and \$1.8 million increase in NYS grants. Revenue increases were also related to additional commissions income received in fiscal year 2020 that would have previously have been recorded to Student Faculty. Total operating expenses decreased by \$5.8 million or 2%, primarily related to salary and benefit expenses.

## FASHION INSTITUTE OF TECHNOLOGY

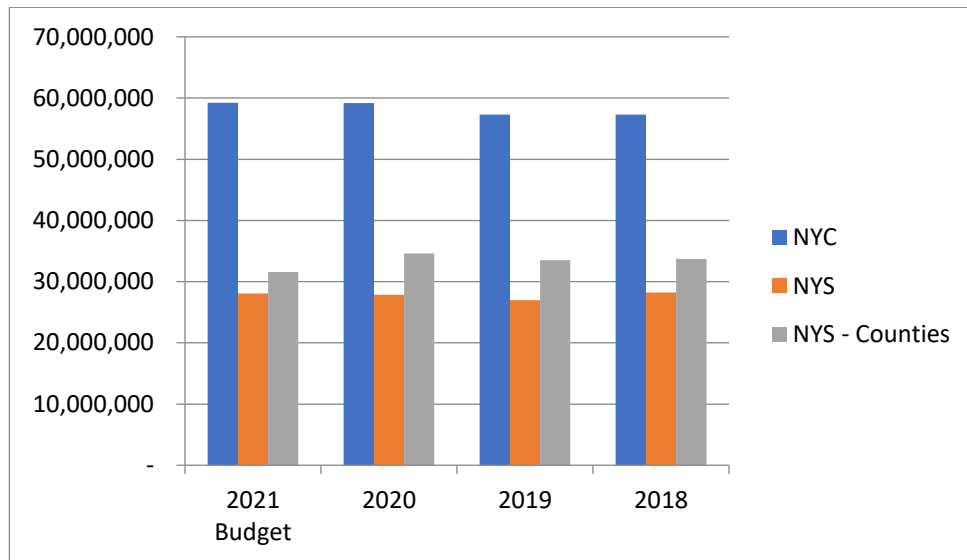
### Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

### Economic Outlook

The College received over half of its operating funds from appropriations from New York State, New York City, and the New York counties. The chart and table below compare public appropriations in fiscal years 2020, 2019, and 2018 while the table also includes the fiscal year 2021 budget:



	<b>Budget 2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
New York City	\$ 59,220,964	59,176,057	57,229,616	57,292,485
New York State	28,088,283	27,863,314	26,984,481	28,214,213
New York Counties	31,581,417	34,627,304	33,504,893	33,716,693
	<b>\$ 118,890,664</b>	<b>121,666,675</b>	<b>117,718,990</b>	<b>119,223,391</b>

In fiscal year 2020, the State of New York increased its support for FIT to \$2,947 per student compared to \$2,847 per student in 2019. The increase of \$100 per student equated to a total increase of approximately \$842,900 in addition to a rental aid increase in 2020 compared to 2019 for the College. While continuing to advocate for sufficient Federal action to States and Localities to counter the impact of the pandemic on the economic health of New York, the State took the precautionary measure of temporarily withholding twenty percent of payments, which impacted the final State support payment. The withholding action taken in fiscal year 2020, is not yet determined to be recurring.

## **FASHION INSTITUTE OF TECHNOLOGY**

### Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

New York City, the College's local sponsor, funds the collective bargaining agreement between the College and the United College of Employees (UCE) of FIT. The collective bargaining agreement covers a seven-year and seven-month period from June 2010 through December 2017. The College is in the processes of updating the agreement with both the UCE and New York City.

In May 2017, New York State passed legislation enacting the Excelsior Scholarship Program to provide tuition-free college at New York's public colleges and universities to families making up to \$125,000 a year phased in over three years. In fiscal year 2020 and fiscal year 2019, the NYS Excelsior scholarship awards totaled \$1.6 million and \$1.2 million, respectively.

Enrollment at the College increased to 8,428 full-time equivalent students in fiscal year 2020 as compared to 8,300 students in fiscal year 2019.

At the end of fiscal year 2015, the College learned that New York City had agreed to fund \$74 million for a 100,000 square-foot new academic building; this will match funding of \$74 million, which had been promised by New York State. Design has been ongoing. In fiscal year 2017, New York City agreed to fund an additional \$16.9 million for the new academic building. The College hopes to break ground in Spring 2021.

In fiscal 2020, the COVID-19 pandemic had a significant impact on the College's operations. The campus closed to students on March 13, 2020 and refunded 50% of the fees paid for the Spring term for certain student fees and dorm rental charges. Refunds were also processed for the unused portion of meal plans for the Spring semester. The College moved to a complete online learning platform in the March 2020 and has continued hosting all instruction on this platform through the Fall 2020 semester. As a continued impact of the pandemic, Fall 2020 headcount has decreased by 6% and occupancy in the dorms has decreased by as much as 90%.

#### **Contacting the College's Management**

This financial report is designed to provide a general overview of the College's finances and to demonstrate the College's accountability for the resources at its disposal. If you have any questions about this report, need additional financial information, or would like to request copies of the financial statements for any of the component units, please contact: The Office of the Controller, The Fashion Institute of Technology, 227 West 27th Street, New York, New York 10001.

**FASHION INSTITUTE OF TECHNOLOGY**

Statement of Net Position

June 30, 2020

<b>Assets and Deferred Outflows of Resources</b>	<b>Component units</b>			<b>Total</b>
	<b>College</b>	<b>Student Housing</b>	<b>Foundation</b>	
<b>Current assets:</b>				
Cash and cash equivalents (note 3)	\$ 6,458,528	120,532	6,303,890	12,882,950
Share of pooled cash	—	17,425,324	—	17,425,324
Short-term investments (note 3)	55,454,621	—	3,682,147	59,136,768
Restricted short-term investments (notes 3 and 10)	7,188,641	7,108,486	—	14,297,127
Student accounts receivable (net of allowance of \$1,778,832)	574,831	—	—	574,831
Accounts receivable – other	607,821	1,002,961	1,704,048	3,314,830
Restricted loans receivable – current portion (net of allowance of \$79,616)	130,159	—	—	130,159
Appropriations and grants receivable, net (note 4)	28,872,557	—	—	28,872,557
Due from affiliated organizations (note 5)	1,941,001	—	75,074	2,016,075
Prepaid bond insurance and other assets	1,819,682	216,059	2,956	2,038,697
Total current assets	103,047,841	25,873,362	11,768,115	140,689,318
<b>Noncurrent assets:</b>				
Restricted investments (note 3)	5,629,355	—	—	5,629,355
Restricted deposits with bond trustee (note 10)	343,373	9,687,222	—	10,030,595
Interest in remainder trusts	—	—	423,748	423,748
Restricted long-term investments	—	—	45,849,526	45,849,526
Restricted loans receivable – noncurrent portion (net of allowance of \$451,156)	737,567	—	—	737,567
Due from affiliated organizations (note 5)	7,474,123	—	—	7,474,123
Prepaid bond expense	—	468,668	—	468,668
Restricted net pension asset (note 11)	3,306,545	—	—	3,306,545
Capital assets, net (note 6)	122,570,469	119,452,112	—	242,022,581
Total noncurrent assets	140,061,432	129,608,002	46,273,274	315,942,708
Total assets	\$ 243,109,273	155,481,364	58,041,389	456,632,026
<b>Deferred outflows of resources:</b>				
Deferred amount on refunding	\$ —	5,224,049	—	5,224,049
Deferred amounts relating to pensions (note 11)	12,021,381	—	—	12,021,381
Deferred amounts relating to OPEB (note 12)	9,343,608	226,723	—	9,570,331
Total deferred outflows of resources	\$ 21,364,989	5,450,772	—	26,815,761

FASHION INSTITUTE OF TECHNOLOGY

Statement of Net Position

June 30, 2020

Liabilities, Deferred Inflows of Resources, and Net Position	Component units			Total
	College	Student Housing	Foundation	
Current liabilities:				
Accounts payable and accrued expenses (note 8)	\$ 19,395,704	805,486	99,562	20,300,752
Interest payable	57,938	2,592,319	—	2,650,257
Due to pooled cash	17,425,324	—	—	17,425,324
Paycheck Protection Program loan	—	81,589	—	81,589
Due to affiliated organizations (note 5)	75,074	—	1,941,001	2,016,075
Bonds payable – current portion (note 7)	370,000	4,490,000	—	4,860,000
Unearned revenue and student credits	3,984,517	14,664	250,000	4,249,181
Total current liabilities	<u>41,308,557</u>	<u>7,984,058</u>	<u>2,290,563</u>	<u>51,583,178</u>
Noncurrent liabilities (note 9):				
Accrued vacation and sick leave	20,215,647	178,099	47,238	20,440,984
Paycheck Protection Program loan	—	128,211	—	128,211
Total OPEB obligation (note 12)	124,391,168	1,293,397	391,578	126,076,143
Due to affiliated organizations (note 5)	—	7,474,123	—	7,474,123
Bonds payable – noncurrent portion (note 7)	3,093,227	101,907,541	—	105,000,768
Total noncurrent liabilities	<u>147,700,042</u>	<u>110,981,371</u>	<u>438,816</u>	<u>259,120,229</u>
Total liabilities	\$ <u>189,008,599</u>	<u>118,965,429</u>	<u>2,729,379</u>	<u>310,703,407</u>
Deferred inflows of resources:				
Deferred amounts relating to pensions (note 11)	\$ 5,328,570	—	—	5,328,570
Deferred amounts relating to OPEB (note 12)	27,021,130	272,405	—	27,293,535
Total deferred inflows of resources	<u>32,349,700</u>	<u>272,405</u>	<u>—</u>	<u>32,622,105</u>
Net position:				
Net investment in capital assets	119,376,556	20,960,388	—	140,336,944
Restricted – nonexpendable:				
Scholarships and awards	—	—	27,652,641	27,652,641
Departmental programs	—	—	7,023,684	7,023,684
Dorm subsidy	—	—	614,808	614,808
Total restricted – nonexpendable	<u>—</u>	<u>—</u>	<u>35,291,133</u>	<u>35,291,133</u>
Restricted – expendable:				
General education	5,872,233	—	5,097,644	10,969,877
Student association	1,699,292	—	—	1,699,292
Loan funds	1,385,700	—	—	1,385,700
Capital projects	5,629,355	—	5,282,809	10,912,164
Debt service	16,122	4,516,167	—	4,532,289
Pension asset, net of deferred amounts	9,999,356	—	—	9,999,356
Interest in remainder trusts	—	—	423,748	423,748
Endowment appreciation not appropriated for expenditure (note 2(v))	—	—	7,766,968	7,766,968
Scholarships and financial aid	361,804	—	—	361,804
Total restricted – expendable	<u>24,963,862</u>	<u>4,516,167</u>	<u>18,571,169</u>	<u>48,051,198</u>
Unrestricted	<u>(101,224,455)</u>	<u>16,217,747</u>	<u>1,449,708</u>	<u>(83,557,000)</u>
Total net position	\$ <u>43,115,963</u>	<u>41,694,302</u>	<u>55,312,010</u>	<u>140,122,275</u>

See accompanying notes to basic financial statements.

**FASHION INSTITUTE OF TECHNOLOGY**

Statement of Net Position

June 30, 2019

<b>Assets and Deferred Outflows of Resources</b>	<b>Component units</b>			<b>Total</b>
	<b>College</b>	<b>Student Housing</b>	<b>Foundation</b>	
<b>Current assets:</b>				
Cash and cash equivalents (note 3)	\$ 11,037,692	13,402	4,276,560	15,327,654
Share of pooled cash	—	24,436,658	—	24,436,658
Short-term investments (note 3)	52,152,441	—	3,647,052	55,799,493
Restricted short-term investments (notes 3 and 10)	7,854,082	7,005,287	—	14,859,369
Student accounts receivable (net of allowance of \$1,065,252)	1,476,766	—	—	1,476,766
Accounts receivable – other	845,739	3,626	1,441,807	2,291,172
Restricted loans receivable – current portion (net of allowance of \$79,616)	184,201	—	—	184,201
Appropriations and grants receivable, net (note 4)	27,725,750	—	—	27,725,750
Due from affiliated organizations (note 5)	409,337	—	27,619	436,956
Prepaid bond insurance and other assets	1,466,986	109,075	14,550	1,590,611
Total current assets	103,152,994	31,568,048	9,407,588	144,128,630
<b>Noncurrent assets:</b>				
Restricted investments (note 3)	4,483,694	—	—	4,483,694
Restricted deposits with bond trustee (note 10)	415,826	9,733,409	—	10,149,235
Interest in remainder trusts	—	—	532,891	532,891
Restricted long-term investments	—	—	43,279,211	43,279,211
Restricted loans receivable – noncurrent portion (net of allowance of \$451,156)	1,043,806	—	—	1,043,806
Due from affiliated organizations (note 5)	7,474,123	—	—	7,474,123
Prepaid bond expense	—	502,144	—	502,144
Restricted net pension asset (note 11)	2,397,743	—	—	2,397,743
Capital assets, net (note 6)	131,213,871	125,719,802	—	256,933,673
Total noncurrent assets	147,029,063	135,955,355	43,812,102	326,796,520
Total assets	\$ 250,182,057	167,523,403	53,219,690	470,925,150
<b>Deferred outflows of resources:</b>				
Deferred amount on refunding	\$ —	5,597,195	—	5,597,195
Deferred amounts relating to pensions (note 11)	14,063,334	—	—	14,063,334
Deferred amounts relating to OPEB (note 12)	10,896,122	280,426	—	11,176,548
Total deferred outflows of resources	\$ 24,959,456	5,877,621	—	30,837,077

FASHION INSTITUTE OF TECHNOLOGY

Statement of Net Position

June 30, 2019

Liabilities, Deferred Inflows of Resources, and Net Position	Component units			Total
	College	Student Housing	Foundation	
Current liabilities:				
Accounts payable and accrued expenses (note 8)	\$ 26,816,304	3,347,402	224,618	30,388,324
Interest payable	57,938	2,704,275	—	2,762,213
Due to pooled cash	24,436,658	—	—	24,436,658
Due to affiliated organizations (note 5)	27,619	88,676	320,661	436,956
Bonds payable – current portion (note 7)	—	4,810,896	—	4,810,896
Unearned revenue and student credits	5,732,078	977,657	549,775	7,259,510
Total current liabilities	57,070,597	11,928,906	1,095,054	70,094,557
Noncurrent liabilities (note 9):				
Accrued vacation and sick leave	20,519,233	181,624	113,011	20,813,868
Total OPEB obligation (note 12)	98,920,626	1,180,690	583,001	100,684,317
Due to affiliated organizations (note 5)	—	7,474,123	—	7,474,123
Bonds payable – noncurrent portion (note 7)	3,537,872	106,397,542	—	109,935,414
Total noncurrent liabilities	122,977,731	115,233,979	696,012	238,907,722
Total liabilities	\$ 180,048,328	127,162,885	1,791,066	309,002,279
Deferred inflows of resources:				
Deferred amounts relating to pensions (note 11)	\$ 4,115,629	—	—	4,115,629
Deferred amounts relating to OPEB (note 12)	11,060,597	214,909	—	11,275,506
Total deferred inflows of resources	15,176,226	214,909	—	15,391,135
Net position:				
Net investment in capital assets	128,012,749	22,789,645	—	150,802,394
Restricted – nonexpendable:				
Scholarships and awards	—	—	23,008,394	23,008,394
Departmental programs	—	—	7,023,684	7,023,684
Dorm subsidy	—	—	614,808	614,808
Total restricted – nonexpendable	—	—	30,646,886	30,646,886
Restricted – expendable:				
General education	7,200,833	—	4,030,792	11,231,625
Student association	1,643,667	—	—	1,643,667
Loan funds	1,839,815	—	—	1,839,815
Capital projects	4,483,694	—	5,292,809	9,776,503
Debt service	21,139	2,147,012	—	2,168,151
Pension asset, net of deferred amounts	12,345,448	—	—	12,345,448
Interest in remainder trusts	—	—	532,891	532,891
Endowment appreciation not appropriated for expenditure (note 2(v))	—	—	8,392,583	8,392,583
Scholarships and financial aid	653,249	—	—	653,249
Total restricted – expendable	28,187,845	2,147,012	18,249,075	48,583,932
Unrestricted	(76,283,635)	21,086,573	2,532,663	(52,664,399)
Total net position	\$ 79,916,959	46,023,230	51,428,624	177,368,813

See accompanying notes to basic financial statements.



**FASHION INSTITUTE OF TECHNOLOGY**

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

	Component units			Total
	College	Student Housing	Foundation	
Operating revenues:				
Tuition and fees	\$ 99,626,658	—	—	99,626,658
Scholarships and allowances	(25,075,661)	—	—	(25,075,661)
Tuition and fees, net	74,550,997	—	—	74,550,997
Housing and meal charges	—	27,089,329	—	27,089,329
Restricted student fees	4,039,163	—	—	4,039,163
New York State grants	693,847	—	—	693,847
Federal grants	166,890	—	—	166,890
Local grants	532,000	—	—	532,000
Foundation support (note 1)	1,750,258	—	—	1,750,258
Private grants	—	—	2,708,126	2,708,126
Contributions from Fashion Institute of Technology	—	—	860,903	860,903
Other earned revenue	4,987,988	1,071,912	198,016	6,257,916
Total operating revenues	86,721,143	28,161,241	3,767,045	118,649,429
Operating expenses:				
Functional expenses:				
Instructional	94,540,568	—	—	94,540,568
Public service	142,834	—	—	142,834
Academic support	38,504,748	—	—	38,504,748
Student services	15,854,691	—	—	15,854,691
Institutional support	63,420,201	—	—	63,420,201
Plant management and operations	37,193,929	—	—	37,193,929
Student aid	2,784,613	—	—	2,784,613
Loan fund expense	512,810	—	—	512,810
Total functional expenses	252,954,394	—	—	252,954,394
Auxiliary operations:				
Dormitory operations	—	19,763,912	—	19,763,912
Student clubs and activities	821,029	—	—	821,029
Student recreation and athletics	778,795	—	—	778,795
Contributions to Fashion Institute of Technology Foundation	860,903	—	—	860,903
Student health services	3,049,444	—	—	3,049,444
Total auxiliary operations	5,510,171	19,763,912	—	25,274,083
Foundation:				
Administration and fundraising	—	—	2,523,675	2,523,675
Financial aid	—	—	1,516,915	1,516,915
Departmental programs	—	—	887,970	887,970
College subsidies	—	—	70,912	70,912
Capital programs	—	—	15,000	15,000
Total Foundation	—	—	5,014,472	5,014,472
Depreciation (note 6)	19,135,951	8,137,264	—	27,273,215
Total operating expenses	277,600,516	27,901,176	5,014,472	310,516,164
Net operating (loss) income	(190,879,373)	260,065	(1,247,427)	(191,866,735)

**FASHION INSTITUTE OF TECHNOLOGY**  
Statement of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2020

	Component units			Total
	College	Student Housing	Foundation	
Net operating (loss) income	\$ (190,879,373)	260,065	(1,247,427)	(191,866,735)
Nonoperating revenues (expenses):				
Operating appropriations (note 2):				
New York City	59,176,057	—	—	59,176,057
New York State	27,863,314	—	—	27,863,314
New York State counties	34,627,304	—	—	34,627,304
Total operating appropriations	<u>121,666,675</u>	<u>—</u>	<u>—</u>	<u>121,666,675</u>
Financial aid appropriations:				
Federal	13,323,189	—	—	13,323,189
New York State	7,499,902	—	—	7,499,902
Total financial aid appropriations	<u>20,823,091</u>	<u>—</u>	<u>—</u>	<u>20,823,091</u>
Gifts and fundraising, net	—	—	—	—
Interest and investment income	684,485	525,596	581,566	1,791,647
Debt expense:				
Interest on long-term debt	79,856	5,184,638	—	5,264,494
Interest on loan from College	—	69,225	—	69,225
Amortization of bond issuance costs	—	(139,274)	—	(139,274)
Total debt expense	<u>79,856</u>	<u>5,114,589</u>	<u>—</u>	<u>5,194,445</u>
Total nonoperating revenue (expenses), net	<u>143,094,395</u>	<u>(4,588,993)</u>	<u>581,566</u>	<u>139,086,968</u>
Additions to endowment	—	—	4,549,247	4,549,247
Capital appropriations, grants, and gifts:				
New York State	2,531,523	—	—	2,531,523
Foundation	15,000	—	—	15,000
New York City	2,254,248	—	—	2,254,248
Federal	5,608,741	—	—	5,608,741
New York State counties (note 2(r))	574,470	—	—	574,470
Total capital appropriations, grants, and gifts	<u>10,983,982</u>	<u>—</u>	<u>—</u>	<u>10,983,982</u>
Total endowment, transfer and capital	<u>10,983,982</u>	<u>—</u>	<u>4,549,247</u>	<u>15,533,229</u>
Net (decrease) increase in net position	<u>(36,800,996)</u>	<u>(4,328,928)</u>	<u>3,883,386</u>	<u>(37,246,538)</u>
Net position:				
Beginning of year	<u>79,916,959</u>	<u>46,023,230</u>	<u>51,428,624</u>	<u>177,368,813</u>
End of year	<u>\$ 43,115,963</u>	<u>41,694,302</u>	<u>55,312,010</u>	<u>140,122,275</u>

See accompanying notes to basic financial statements.

**FASHION INSTITUTE OF TECHNOLOGY**

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019

	Component units			Total
	College	Student Housing	Foundation	
Operating revenues:				
Tuition and fees	\$ 94,897,186	—	—	94,897,186
Scholarships and allowances	(23,871,838)	—	—	(23,871,838)
Tuition and fees, net	71,025,348	—	—	71,025,348
Housing and meal charges	—	32,837,451	—	32,837,451
Restricted student fees	4,466,618	—	—	4,466,618
New York State grants	2,560,432	—	—	2,560,432
Federal grants	31,187	—	—	31,187
Local grants	631,200	—	—	631,200
Foundation support (note 1)	2,886,128	—	—	2,886,128
Private grants	—	—	2,495,937	2,495,937
Contributions from Fashion Institute of Technology	—	—	855,547	855,547
Other earned revenue	5,870,840	1,477,677	182,301	7,530,818
Total operating revenues	87,471,753	34,315,128	3,533,785	125,320,666
Operating expenses:				
Functional expenses:				
Instructional	79,627,240	—	—	79,627,240
Public service	123,950	—	—	123,950
Academic support	33,163,028	—	—	33,163,028
Student services	13,700,900	—	—	13,700,900
Institutional support	50,737,765	—	—	50,737,765
Plant management and operations	37,862,999	—	—	37,862,999
Student aid	213,688	—	—	213,688
Loan fund expense	43,875	—	—	43,875
Total functional expenses	215,473,445	—	—	215,473,445
Auxiliary operations:				
Dormitory operations	—	19,813,409	—	19,813,409
Student clubs and activities	1,130,597	—	—	1,130,597
Student recreation and athletics	852,731	—	—	852,731
Contributions to Fashion Institute of Technology Foundation	855,547	—	—	855,547
Student health services	2,516,997	—	—	2,516,997
Total auxiliary operations	5,355,872	19,813,409	—	25,169,281
Foundation:				
Administration and fundraising	—	—	2,769,386	2,769,386
Financial aid	—	—	1,649,184	1,649,184
Departmental programs	—	—	2,355,215	2,355,215
College subsidies	—	—	111,399	111,399
Capital programs	—	—	15,000	15,000
Total Foundation	—	—	6,900,184	6,900,184
Depreciation (note 6)	18,911,838	8,188,061	—	27,099,899
Total operating expenses	239,741,155	28,001,470	6,900,184	274,642,809
Net operating (loss) income	(152,269,402)	6,313,658	(3,366,399)	(149,322,143)

**FASHION INSTITUTE OF TECHNOLOGY**

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019

	<u>Component units</u>			<u>Total</u>
	<u>College</u>	<u>Student Housing</u>	<u>Foundation</u>	
Net operating (loss) income	\$ (152,269,402)	6,313,658	(3,366,399)	(149,322,143)
Nonoperating revenues (expenses):				
Operating appropriations (note 2):				
New York City	57,299,616	—	—	57,299,616
New York State	26,984,481	—	—	26,984,481
New York State counties	33,504,893	—	—	33,504,893
Total operating appropriations	<u>117,788,990</u>	<u>—</u>	<u>—</u>	<u>117,788,990</u>
Financial aid appropriations:				
Federal	12,766,857	—	—	12,766,857
New York State	7,456,031	—	—	7,456,031
Total financial aid appropriations	<u>20,222,888</u>	<u>—</u>	<u>—</u>	<u>20,222,888</u>
Gifts and fundraising, net	—	—	719,359	719,359
Interest and investment income	584,416	586,869	1,490,372	2,661,657
Debt expense:				
Interest on long-term debt	582,144	5,408,550	—	5,990,694
Interest on loan from College	—	89,249	—	89,249
Amortization of bond issuance costs	—	(139,274)	—	(139,274)
Total debt expense	<u>582,144</u>	<u>5,358,525</u>	<u>—</u>	<u>5,940,669</u>
Total nonoperating revenue (expenses), net	<u>138,014,150</u>	<u>(4,771,656)</u>	<u>2,209,731</u>	<u>135,452,225</u>
Additions to endowment	—	—	521,469	521,469
Capital appropriations, grants, and gifts:				
New York State	6,541,611	—	—	6,541,611
Foundation	15,000	—	—	15,000
New York City	6,166,245	—	—	6,166,245
Insurance recoveries (note 14)	633,710	—	—	633,710
New York State counties (note 2(r))	592,481	—	—	592,481
Total capital appropriations, grants, and gifts	<u>13,949,047</u>	<u>—</u>	<u>—</u>	<u>13,949,047</u>
Total endowment, transfer and capital	<u>13,949,047</u>	<u>—</u>	<u>521,469</u>	<u>14,470,516</u>
Net (decrease) increase in net position	(306,205)	1,542,002	(635,199)	600,598
Net position:				
Beginning of year	<u>80,223,164</u>	<u>44,481,228</u>	<u>52,063,823</u>	<u>176,768,215</u>
End of year	<u>\$ 79,916,959</u>	<u>46,023,230</u>	<u>51,428,624</u>	<u>177,368,813</u>

See accompanying notes to basic financial statements.

**FASHION INSTITUTE OF TECHNOLOGY**

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<b>College only</b>	
	<b>2020</b>	<b>2019</b>
Cash flow from operating activities:		
Cash received from tuition and fees	\$ 103,551,425	103,552,908
Operating grants	2,834,925	4,989,418
Earned income and other	5,163,423	4,351,302
Benefit refunds and copayments	1,072,565	1,343,840
Student Perkins loan received	385,926	377,556
Student smart card deposits	274,254	406,409
Payments for employee salaries	(71,909,893)	(73,532,998)
Payments for employee benefits	(87,008,492)	(86,020,323)
Payments for supplies and other	(61,481,508)	(59,294,566)
Student aid and refunds paid	(29,861,579)	(20,860,818)
Wired to international programs	(1,809,623)	(2,175,815)
	<u>(138,788,577)</u>	<u>(126,863,087)</u>
Net cash used in operating activities		
Cash flow from noncapital financing activities:		
Federal appropriations	15,355,971	12,700,647
NYS appropriations	32,960,043	35,854,259
NYC appropriations	57,293,781	57,299,616
County chargebacks	28,547,690	38,241,506
	<u>134,157,485</u>	<u>144,096,028</u>
Net cash provided by noncapital financing activities		
Cash flow from capital related financing activities:		
Appropriations for debt financing	76,250	2,739,960
Capital grants – public	17,811,249	17,971,798
Capital grants and gifts – Foundation	15,000	15,000
Insurance recoveries	—	633,710
Debt service and bond expense	(90,503)	(675,662)
Purchase of capital assets	(12,499,114)	(26,081,097)
	<u>5,312,882</u>	<u>(5,396,291)</u>
Net cash provided by (used in) capital related financing activities		
Cash flow from investing activities:		
Interest income	684,163	567,055
Proceeds from sale of restricted deposits held by bond trustees	143,191	4,236,506
Purchase of deposits held by bond trustees	(76,974)	(6,396,882)
Purchase of short-term investments	(60,000,000)	(50,000,000)
Proceeds from sales of short-term investments	61,000,000	44,000,000
Due to pooled cash	(7,011,334)	216,604
	<u>(5,260,954)</u>	<u>(7,376,717)</u>
Net cash used in investing activities		
Net (decrease) increase in cash and cash equivalents	(4,579,164)	4,459,933
Cash and cash equivalents at beginning of year	<u>11,037,692</u>	<u>6,577,759</u>
Cash and cash equivalents at end of year	<u>\$ 6,458,528</u>	<u>11,037,692</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Net operating loss	\$ (190,879,373)	(152,269,402)
Depreciation	19,135,951	18,911,838
Changes in operating assets and liabilities:		
Student accounts receivable	901,935	(814,209)
Accounts receivable – other	237,918	139,144
Loans receivable	360,281	377,564
Due from affiliated organizations	(1,484,209)	370,294
Prepaid bond expense and other assets	(352,696)	216,110
Net pension asset, net of deferred amounts	2,346,092	(330,418)
Accounts payable and accrued expenses	(9,986,918)	812,951
Accrued vacation and sick leave	(303,586)	64,930
Total OPEB liability, net of deferred amounts	42,983,589	4,867,662
Unearned revenue	(1,747,561)	790,449
	<u>(138,788,577)</u>	<u>(126,863,087)</u>
Net cash used in operating activities		
Supplemental disclosures of cash flow		
Cash paid for accrued construction	\$ (2,006,565)	(4,572,884)
Debt related amortization	(74,645)	(74,645)

See accompanying notes to basic financial statements.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

#### (1) Organization and Reporting Entity

The Fashion Institute of Technology (the College or FIT) is a community college under the State University of New York (SUNY) and is sponsored by the Department of Education of the City of New York.

The College is a specialized college of art and design, business, and technology devoted to preparing men and women for careers in fashion and its related professions and industries, and also providing leadership preparation and a full range of liberal arts courses, as well as counseling and placement services, extracurricular activities, and access to the cultural life of New York City. The College has four academic schools: Liberal Arts; Art and Design; Business and Technology; and Graduate Studies. The College occupies five buildings located on a two-block square campus bounded by 7th and 8th Avenues and West 26th to 28th Streets in the Borough of Manhattan.

Founded in 1944 as the answer to the recognized needs of the fashion industry for professionally prepared people, the College is a unique institution. In 1975, the College became one of the first community colleges under SUNY empowered to grant the Associate in Applied Science degree, Bachelor of Science, and Bachelor of Fine Arts degrees. In 1979, another amendment was approved authorizing the granting of master's degrees. The College receives its principal support from New York State and New York City appropriations and grants as well as from tuition revenue.

The College is a fully accredited member of the Middle States Association of Colleges and Secondary Schools, the National Association of Schools of Arts and Design, and the Council for Interior Design Accreditation.

The College is a political subdivision and as such is exempt from federal, New York State, and New York City income taxes.

#### *Reporting Entity*

The key element for inclusion in the reporting entity is based primarily on financial accountability. U.S. generally accepted accounting principles defines financial accountability in terms of a primary government (the College) that is financially accountable for the organizations that make up its legal entity. The College is financially accountable for legally separate organizations if its officers appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the College. The College may also be financially accountable for governmental organizations that are fiscally dependent on it. Other organizations for which the nature and significance of their relationships with the College are such that exclusion from the financial reporting entity would render the reporting entity's financial statements to be misleading or incomplete may also be included in the financial reporting entity.

The accompanying financial statements of the College consist of the accounts of the College and its component units. It was determined that FIT Student Housing Corporation (Student Housing) should be included in FIT's financial reporting entity. It was also determined that the Fashion Institute of Technology Foundation (the Foundation) should be included in FIT's financial reporting entity (the FASB component unit).

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

In addition, under U.S. generally accepted accounting principles, legally separate organizations meeting certain criteria should be discretely presented as component units. The criteria are as follows:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the College, its component units, or its constituents (e.g., students, faculty, and staff).
2. The College, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the College, or its component units, is entitled to, or has the ability to otherwise access, are significant to the College.

Each of the entities listed below met the criteria of GASB Codification Section 2100, and is, therefore, discretely presented in the College's basic financial statements.

***FIT Student Housing Corporation (Student Housing)*** is a not-for-profit corporation formed by FIT to own and operate certain dormitories. Student Housing owns Nagler Hall, a 10-story building built in 1960; Alumni Hall, an 18-story building that opened in August 1988; co-ed Hall, a 15-story dormitory building; and Kaufman Hall, a 1,110 bed facility at 406 West 31st Street that opened in August 2006. The economic resources provided by Student Housing are almost entirely for the direct benefit of the College's constituents (e.g., students, faculty, and staff).

***Fashion Institute of Technology Foundation, Inc. (the Foundation)*** is a not-for-profit organization that operates exclusively for charitable and educational purposes, including providing scholarships and general support activities to the College. The Foundation has a separate board of trustees from that of the College. The economic resources received and held by the Foundation are almost entirely for the direct benefit of the College. Although the College does not control the timing or amount of receipts from the Foundation, all of the resources and income earned that the Foundation holds and invests are restricted to the activities of the College.

#### ***Current Economic Conditions***

In fiscal 2020, the COVID-19 pandemic had a significant impact on the College's operations. The campus closed to students on March 13, 2020 and refunded 50% of the fees paid for the Spring term for certain student fees and dorm rental charges. In total, the College processed \$507,941 in refunds for student fees and Student Housing processed \$7,362,504 in refunds for dorm rental and meal charges. In May 2020, the College was awarded \$7,035,399 from the Coronavirus Aid, Relief and Economic Security Act (CARES Act) Higher Education Emergency Relief Fund (HEERF) for student and institutional aid. As of June 30, 2020, the College has drawdown \$2,562,375 for student aid and \$2,562,375 for institutional aid. The College anticipates that it will disburse the remaining portion of the student aid and recognize revenue for both the student and institutional portion in fiscal year 2021. As a continued impact of the pandemic, Fall 2020 headcount has decreased by 6% and occupancy in the dorms has decreased by as much as 90%.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

#### **(2) Summary of Significant Accounting Policies**

##### **(a) Measurement Focus and Basis of Accounting**

For financial reporting purposes, the College and its component unit, except the Foundation, is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the GASB. Accordingly, revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred.

The Foundation is a private not-for-profit organization that reports under Financial Accounting Standards Board (FASB) statements. Most significant to the Foundation's operations and reporting model are Accounting Standards Codification (ASC) Subtopic 958, *Not-for-Profit Entities*. As such, certain revenue recognition and measurement criteria are different from GASB revenue recognition criteria and measurement features. The financial statements of the Foundation are presented using the GASB format. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the basic financial statements. (See note 2 (v)).

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) as subsequently amended, established financial reporting requirements that the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of: management's discussion and analysis, basic financial statements, and RSI.

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34* (GASB No. 35), established accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB No. 34. In accordance with this statement, the College presents statements of net position, revenues, expenses, and changes in net position, and cash flows.

##### **(b) Cash and Cash Equivalents**

Cash equivalents are composed of highly liquid assets with original maturities of 90 days or less and money market accounts, except for those cash equivalents that are held as investments for long-term purposes and amounts held on deposit with bond trustees.

##### **(c) Pooled Cash**

The College utilizes a pooled cash model for handling the cash management of the College and its auxiliary corporation (Student Housing). Under the pooled cash model, all cash receipts and payments are centralized in the College's operating bank accounts; cash in excess of immediate needs is maintained as pooled short-term investments in the College's name. The short-term investments are made up of money market funds. The College's accounting system continually tracks each corporation's "claim on cash" as an automatic offset to each accounting transaction. At fiscal year end, the auxiliary corporation's "claim on cash" is listed as an asset if it is positive or as a liability if it is negative.



## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

On a monthly basis, interest income earned on the College's pooled short-term investments is allocated to the auxiliary corporation based on their average daily claim on cash balance during the month. In fiscal years 2020 and 2019, allocated interest income was \$919,250 and \$763,808, respectively.

#### **(d) Short-Term Investments**

Money market funds with original maturity dates of greater than three months but less than one year from the date of purchase have been classified as short-term investments.

#### **(e) Investments**

Investments are reported at fair value based on quoted market prices or published prices. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – unadjusted quoted or published prices for identical assets or liabilities in active markets available at the measurement date;
- Level 2 – quoted or published prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

As a public college receiving public funding, the College's investment policy is to seek maximum returns consistent with complete preservation of principal and liquidity. All unrestricted cash is invested by the College's primary bank in insured and/or collateralized certificates of deposits with maturity dates from one month to two years. Unexpended bond proceeds are invested by the bond trustee in money market funds and U.S. Treasury securities, with maturity dates selected to meet anticipated cash needs of the capital projects and bond repayments for which the funds were raised.

The College has determined that all of its investments, including deposits held by bond trustees, are considered Level 1 in the fair value hierarchy noted above.

#### **(f) Capital Assets**

Capital assets include buildings, improvements, infrastructure, furniture, and equipment. Capital assets are defined by the College as equipment and furnishings with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years and construction/renovation projects costing more than \$10,000. Such assets are recorded at actual cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Pursuant to New York State Education Law relative to community colleges, title to real property rests in and is held by the local sponsor (The City of New York) in trust for the use and purpose of the College. The College has stewardship

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

responsibility, and as such, all plant asset activity is recorded by the College. Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	37–50
Leasehold improvements	5–10
Building improvements	3–37
Furniture and equipment	3–15
Library materials	5
Software	5

#### **(g) Noncurrent Assets**

Noncurrent assets include: (1) cash and other assets or resources commonly identified as those that are expected to be realized in cash or sold or consumed beyond the normal operating cycle (12 months or more) and (2) investments purchased with a long-term objective, which should not be reported as current assets, even though they are within one year of maturity, as the managerial intent was that the resources are not available for current uses or needs.

Cash and investments that are externally restricted to make debt service payments or long-term loans to students, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statements of net position.

#### **(h) Accrued Vacation and Sick Leave**

The College records the estimated value of earned unused sick and vacation pay as a noncurrent liability based on the vesting method. Under this method, vacation is vested when earned for all employees, and sick pay is vested once an employee reaches age 55 and has been employed by the College for the required amount of time stipulated under the College's retirement policies. Employees accrue sick leave based on the number of years employed up to a maximum rate of 17 days per year. Employees also receive annual vacation leave ranging from 20 days to 50 days and may accumulate up to a maximum of one year's entitlement. Any unused vacation pay is payable upon retirement or termination. Accumulated sick leave is forfeited, unless an employee retires and has been employed the required amount of time, in which case 100% of the accrual is paid up to a maximum of 100 days.

#### **(i) Unearned Revenue**

Unearned revenue primarily consists of tuition and fees collected prior to June 30 for semesters, which begin after June 30, and grants and contracts that have not yet been earned, as all eligibility requirements have not been satisfied.

#### **(j) Bond Premiums and Discounts**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Long-term bonds are reported net of the applicable bond premium and discount.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

#### **(k) *Deferred Outflows and Deferred Inflows of Resources***

Deferred outflows include deferred amounts relating to the refunding of debt and deferred amounts relating to the net pension asset or liability and total OPEB obligation. Deferred outflows of resources are a consumption of net position by the College that is applicable to a future reporting period.

Deferred inflows include deferred amounts relating to net pension asset or liability and the total OPEB obligation. Deferred inflows of resources are an increase in net position by the College that is applicable to a future reporting period.

Deferred inflows and deferred outflows of resources are reported for differences between expected or projected results compared to actual results related to the College's share of pension and OPEB as well as changes in the College's proportion of the plan from the prior period. Deferred outflows of resources resulting from a loss in the refinancing of debt represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt.

#### **(l) *Net Position***

Net position is classified into the following four categories:

*Net investment in capital assets* – This category includes capital assets, net of accumulated depreciation less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted – nonexpendable* – This category includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have nonexpendable restricted net position at June 30, 2020 and 2019. The College's endowment is held by the Foundation.

*Restricted – expendable* – This category includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Unrestricted* – This category includes net position that does not meet the definition of net investment in capital assets. Unrestricted net position may be designated for specific purposes by actions of management or the board of trustees.

#### **(m) *Classification of Revenues and Expenses***

The College's policy for defining operating activities in the accompanying statements of revenues, expenses, and changes in net position is those that serve the College's principal purpose and generally result from exchange transactions, such as payments received for services and payments made for the purchase of goods and services. Examples include: (1) tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, local, and private grants, and contracts. Nonoperating revenues includes activities that have the characteristics of nonexchange

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

transactions, such as contributions, operating, and capital appropriations from the State and the City of New York, and investment income.

The College classifies all expenses as operating in the statements of revenues, expenses, and changes in net position, except for interest and amortization expense, which is classified as nonoperating.

#### **(n) Student Tuition and Fee Revenue**

Student tuition and fee revenues are recognized in the period earned. Student tuition and fee revenues are reported net of scholarship allowances in the accompanying statements of revenues, expenses, and changes in net position. Scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on behalf of students. To the extent that these revenues are used to satisfy tuition and fees, the College has recorded a scholarship allowance.

#### **(o) Nonexchange Revenue**

Nonexchange revenue, in which the College receives value without directly giving equal value in return, includes: federal, state, and local grants; state appropriations; and other contributions. Revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include: timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

#### **(p) New York City Appropriations**

As the College's local sponsor, the New York City Department of Education has in recent years funded 25% of the College's operating budget. The fiscal 2020 and 2019 appropriation was \$59,176,057 and \$57,299,616, respectively. In addition, the College's local sponsor funds 50% of approved capital projects. In fiscal years 2020 and 2019, the capital appropriations was \$2,254,248 and \$6,166,245, respectively.

#### **(q) New York State Appropriations**

Operating appropriations received from SUNY are regulated by a financial formula contained in the SUNY regulations. Under the formula, the amount of basic state aid is limited to the lower of 40% of the College's net allowable expenditures or an established rate per full-time equivalent (FTE) student. The basic aid for fiscal years 2020 and 2019 was computed based on the established FTE rate of \$2,947 and \$2,847, respectively, plus 55% of noninstructional rental costs incurred, for a total of \$27,863,314 and \$26,984,481, respectively. In addition, capital appropriations received from the local sponsor are matched 100% by New York State. In fiscal years 2020 and 2019 the capital appropriations was \$2,531,523 and \$6,541,611, respectively.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

#### **(r) New York State Counties Chargebacks**

The College is authorized by New York State to charge and collect from each county within the state, for every nonresident student, two “chargeback” fees, an operating fee, and a capital fee. These fees are used by SUNY when calculating the sponsor’s support for the College.

In fiscal years 2020 and 2019, the College earned \$34,627,304 and \$33,504,893 in operating county chargebacks, calculated at the rate of \$16,650 and \$15,960, respectively, per FTE per year. In addition, the College earned \$574,470 and \$592,481 in capital county chargeback, respectively, calculated at the rate of \$300 per FTE per year; the law requires that these amounts be separately accounted for and that the funds be utilized to meet capital expenditure requirements of future periods.

#### **(s) Income Tax Status**

The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code (the Code). The GASB component unit is exempt from federal income taxes under Section 501(c)(3) of the Code and a similar provision of the New York State income tax laws.

The Foundation is generally exempt from federal income tax under Section 501(c)(3) of the Code. The Foundation recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Foundation’s exempt purpose is subject to tax under Section 511 of the Code. The Foundation did not have any material unrelated business income tax liabilities for the years ended June 30, 2020 and 2019.

#### **(t) Pension Benefits**

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State Teachers’ Retirement System (TRS or the System) and additions to/deductions from TRS’s fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **(u) OPEB Obligation**

The College recognizes its total OPEB obligation in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75). GASB No. 75 addresses accounting and financial reporting for OPEB that are provided to the employees of state and local governmental employers. The College’s OPEB plan is classified as a single-employer defined benefit plan under GASB No. 75 and is unfunded.

#### **(v) Fashion Institute of Technology Foundation – Significant Accounting Policies**

The Foundation is a not-for-profit organization, which provides scholarships and fundraising activities for FIT.

##### **(i) Contributions**

Contributions received, including unconditional promises to give, are recognized at fair value in the period received.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

(ii) *Investments*

The following tables present the restricted long-term investment portfolio of the Foundation at June 30, 2020 and 2019:

	<u>Current portfolio</u>	<u>Endowed portfolio</u>	<u>2020 Total</u>
Cash and cash equivalents	\$ —	535,851	535,851
Equity funds:			
Domestic	1,440,380	10,712,904	12,153,284
International	948,476	9,141,140	10,089,616
Fixed income funds:			
Domestic	1,183,535	10,870,579	12,054,114
Hedge funds:			
Domestic	184,629	5,141,812	5,326,441
International	—	447	447
Real assets	223,954	2,281,775	2,505,729
Private equity	—	3,184,044	3,184,044
	<u>\$ 3,980,974</u>	<u>41,868,552</u>	<u>45,849,526</u>

	<u>Current portfolio</u>	<u>Endowed portfolio</u>	<u>2019 Total</u>
Cash and cash equivalents	\$ —	255,408	255,408
Equity funds:			
Domestic	1,397,037	10,409,169	11,806,206
International	941,333	8,492,073	9,433,406
Fixed income funds:			
Domestic	1,099,559	9,704,693	10,804,252
Hedge funds:			
Domestic	186,309	5,029,347	5,215,656
International	—	629	629
Real assets	301,426	2,598,426	2,899,852
Private equity	—	2,863,802	2,863,802
	<u>\$ 3,925,664</u>	<u>39,353,547</u>	<u>43,279,211</u>

Investments primarily consist of fixed income, equity securities, mutual funds, hedge funds, real assets, and private equity, and are maintained in separate unrestricted and restricted portfolios for each fund. The Foundation records investments in equity securities with readily determinable fair values based on quoted market prices. Investment income or loss (including gains and losses on investment, interest, and dividends) is included as increases or decreases in the specific unrestricted net assets unless the income or loss is restricted by the donor or law.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

The Foundation reports its investments in funds that do not have readily determinable fair values (alternative investments) at estimated fair value using net asset value (NAV) per share or its equivalent as reported by the investment managers. The estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. The Foundation reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of the underlying net assets (or partner's capital).

At June 30, 2020 and 2019, \$8,721,977 and \$8,510,071, respectively, of the Foundation's investments are measured at NAV. The remaining investments are reported at fair value and are considered Level 1 in the fair value hierarchy.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in investments in the near term would materially affect the amounts reported in these financial statements.

#### (iii) *Endowment Funds*

New York State has enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). The Foundation has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. Accounting guidance associated with the enactment of NYPMIFA as set forth in ASC 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not classified as restricted nonexpendable to be classified as restricted expendable net position until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Foundation's endowment consists of approximately 346 and 342 funds at June 30, 2020 and 2019, respectively. The objective of the Foundation's investment portfolio is to preserve the real (inflation-adjusted) purchasing power of the portfolio while providing a relatively predictable, stable, and constant (in real terms) stream of earnings in line with spending needs. Financial objectives for the Foundation are established to provide for sufficient income to meet the spending needs of the Foundation, as well as to provide for continued capital appreciation of the portfolio. The established objective for investment returns is to generate a return of the Consumer Price Index plus an additional percentage based on the investment objectives and asset allocation structure set by the Finance Committee as described in the investment policy over a 3 to 5 year planning horizon. The Foundation has a spending policy of appropriating for distribution each year 4.25% of the endowment.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

Restricted net position related to the endowment, excluding pledges, consists of the following at June 30, 2020 and 2019:

	<u>Unrestricted</u>	<u>Restricted expendable</u>	<u>Restricted nonexpendable</u>	<u>Total</u>
Donor restricted	\$ —	7,766,968	35,124,565	42,891,533
Board designated	595,861	—	—	595,861
Balance at June 30, 2020	<u>\$ 595,861</u>	<u>7,766,968</u>	<u>35,124,565</u>	<u>43,487,394</u>

	<u>Unrestricted</u>	<u>Restricted expendable</u>	<u>Restricted nonexpendable</u>	<u>Total</u>
Donor restricted	\$ —	8,392,583	30,440,966	38,833,549
Board designated	587,898	—	—	587,898
Balance at June 30, 2019	<u>\$ 587,898</u>	<u>8,392,583</u>	<u>30,440,966</u>	<u>39,421,447</u>

The following tables present the changes in net position related to endowment, excluding pledges, for the years ended June 30, 2020 and 2019:

	<u>Unrestricted</u>	<u>Restricted expendable</u>	<u>Restricted nonexpendable</u>	<u>Total</u>
Balance at June 30, 2019	\$ 587,898	8,392,583	30,440,966	39,421,447
Investment income, net	7,963	507,043	—	515,006
Endowment spending	—	(1,132,658)	—	(1,132,658)
Gifts	—	—	4,683,599	4,683,599
Balance at June 30, 2020	<u>\$ 595,861</u>	<u>7,766,968</u>	<u>35,124,565</u>	<u>43,487,394</u>

	<u>Unrestricted</u>	<u>Restricted expendable</u>	<u>Restricted nonexpendable</u>	<u>Total</u>
Balance at June 30, 2018	\$ 569,261	8,304,556	30,034,991	38,908,808
Investment income, net	18,637	1,255,291	—	1,273,928
Endowment spending	—	(1,167,264)	—	(1,167,264)
Gifts	—	—	405,975	405,975
Balance at June 30, 2019	<u>\$ 587,898</u>	<u>8,392,583</u>	<u>30,440,966</u>	<u>39,421,447</u>



## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

#### **(w) Use of Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the basic financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts and loans receivable, the valuation of OPEB and pensions, and the functional expense allocation.

#### **(3) Cash and Cash Equivalents and Investments**

The College follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB No. 40), which establishes disclosure requirements related to the following investment and deposit risks:

Custodial credit risk – deposits is the risk that, in the event of failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Custodial credit risk – investments is the risk that, in the event of failure of the counterparty (the party that pledges collateral or that sells investments to or buys investments from the College) of a transaction, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The College is diversified and is not currently exposed to this risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the investment.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of the investment or deposit. The College's exposure to this risk is not significant.

#### **(a) Custodial Credit Risk – Cash Deposits**

The College's cash and cash equivalents are maintained in interest-bearing checking accounts. All cash and unrestricted investments are held in FDIC insured commercial banks and are insured or collateralized with securities held by the College or its agent in the College's name. At June 30, 2020 and 2019, cash and cash equivalents were held by depositories and amounted to \$9,026,452 and \$12,298,320, respectively, of which all were insured.

#### **(b) Short-Term and Restricted Investments of the College**

The College's cash balances are invested in commercial bank money market accounts. All investments are insured or collateralized with securities held by the College or its agent in the College's name. Total investments of the College at June 30, 2020 and 2019 were \$68,272,617 and \$64,490,217, respectively, (original maturities of less than one year), of which all were insured.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

**(c) Deposits with Bond Trustee**

Unexpended Dormitory Authority of the State of New York (DASNY) bond proceeds are held by the bond trustee in U.S. Treasury securities and cash, with maturity dates determined by the College's needs for payments to vendors and payments of debt service.

**(4) Appropriations and Grants Receivable**

At June 30, 2020 and 2019, appropriations and grants receivable of the College consist of the following:

	<b>2020</b>				
	<b>New York City</b>	<b>New York State</b>	<b>Federal</b>	<b>New York State counties</b>	<b>Total</b>
Appropriations	\$ 2,147,555	2,014,778	—	7,599,942	11,762,275
Less allowance	—	—	—	(234,110)	(234,110)
Appropriations, net	2,147,555	2,014,778	—	7,365,832	11,528,165
Operating grants	—	2,290,567	3,198,879	—	5,489,446
Capital grants	4,629,676	7,225,270	—	—	11,854,946
Total receivable	<u>\$ 6,777,231</u>	<u>11,530,615</u>	<u>3,198,879</u>	<u>7,365,832</u>	<u>28,872,557</u>
	<b>2019</b>				
	<b>New York City</b>	<b>New York State</b>	<b>Federal</b>	<b>New York State counties</b>	<b>Total</b>
Appropriations	\$ —	—	—	1,520,327	1,520,327
Less allowance	—	—	—	(104,966)	(104,966)
Appropriations, net	—	—	—	1,415,361	1,415,361
Operating grants	—	1,821,190	106,911	—	1,928,101
Capital grants	9,102,391	15,279,897	—	—	24,382,288
Total receivable	<u>\$ 9,102,391</u>	<u>17,101,087</u>	<u>106,911</u>	<u>1,415,361</u>	<u>27,725,750</u>

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

**(5) Due to/from Affiliated Organizations**

At June 30, 2020 and 2019, due to/from affiliated organizations consists of the following:

	<b>2020</b>	<b>2019</b>
Current portion:		
Loan to Student Housing for renovation of Kaufman Hall (a) \$	—	88,676
Expense reimbursements due to the Foundation	75,074	27,619
Due from the Foundation:		
Expense reimbursements	132,934	120,448
Program support	1,808,067	200,213
Total due from the Foundation	1,941,001	320,661
Total current portion	2,016,075	436,956
Noncurrent portion:		
Loan to Student Housing:		
Replenishment of debt service reserve (a)	7,474,123	7,474,123
Total due from Student Housing	7,474,123	7,474,123
Total noncurrent portion	7,474,123	7,474,123
Total	\$ 9,490,198	7,911,079

**(a) Loans to Student Housing**

**Purchase and renovation of Kaufman Hall:** During fiscal years 2006 and 2007, the board of FIT approved loans of up to \$6,300,000 to Student Housing to cover additional renovation and construction expenses relating to the 31st Street Dormitory. The loan was conditioned on a promise of the Student Housing to repay principal plus interest at 5% over fifteen years beginning 2010. Student Housing has received \$4,000,000 from a trustee of the College as payment in full against a pledge of \$4,000,000 to be used by the Student Housing to repay a portion of the loan from FIT. As of June 30, 2019, the total amount owed to the College was \$88,676. This was repaid in fiscal 2020.

**Replenishment of the debt service reserve fund:** In May 2008, in order to enable Student Housing to refund the debt service reserve on the 2004 DASNY bonds, the board of the College approved a loan of up to \$9,895,670 over a five-year period, conditioned on a promise to repay when the debt service reserve is no longer required. Monthly interest payments to the College are calculated based on the average interest rate of the College's pooled short-term investments. As of June 30, 2020 and 2019, the total amount owed to the College was \$7,474,123, which is included in the College's noncurrent due from affiliated organizations.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

**(6) Capital Assets, Net**

A summary of changes in capital assets for the years ended June 30, 2020 and 2019 is as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>June 30, 2020</u>
College:				
Buildings	\$ 100,950,995	—	—	100,950,995
Infrastructure	10,000,000	—	—	10,000,000
Building improvements	158,243,300	2,160,836	—	160,404,136
Leasehold improvements	4,998,762	494,300	3,488,117	8,981,179
Library acquisitions	7,928,898	47,249	—	7,976,147
Equipment	64,812,852	2,460,907	—	67,273,759
Construction in progress	19,500,244	5,329,257	(3,488,117)	21,341,384
Total	<u>366,435,051</u>	<u>10,492,549</u>	<u>—</u>	<u>376,927,600</u>
Less accumulated depreciation:				
Buildings	(87,767,484)	(593,270)	—	(88,360,754)
Infrastructure	(5,500,000)	(500,000)	—	(6,000,000)
Building improvements	(76,956,879)	(14,251,647)	—	(91,208,526)
Leasehold improvements	(2,443,594)	(405,234)	—	(2,848,828)
Library acquisitions	(7,400,122)	(93,098)	—	(7,493,220)
Equipment	(55,153,101)	(3,292,702)	—	(58,445,803)
Total accumulated depreciation	<u>(235,221,180)</u>	<u>(19,135,951)</u>	<u>—</u>	<u>(254,357,131)</u>
Net capital assets – College	<u>131,213,871</u>	<u>(8,643,402)</u>	<u>—</u>	<u>122,570,469</u>
Student Housing:				
Land (nondepreciable)	12,408,700	—	—	12,408,700
Building	62,341,610	—	—	62,341,610
Building renovations and improvements	143,064,413	1,869,574	—	144,933,987
Capitalized software	13,600	—	—	13,600
Furniture, fixtures, and equipment	11,898,325	—	—	11,898,325
	<u>229,726,648</u>	<u>1,869,574</u>	<u>—</u>	<u>231,596,222</u>

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>June 30, 2020</u>
Less accumulated depreciation:				
Building	\$ (34,371,010)	(1,603,788)	—	(35,974,798)
Building renovations and improvements	(58,246,342)	(6,216,365)	—	(64,462,707)
Capitalized software	(13,600)	—	—	(13,600)
Furniture, fixtures, and equipment	(11,375,894)	(317,111)	—	(11,693,005)
Total accumulated depreciation	<u>(104,006,846)</u>	<u>(8,137,264)</u>	<u>—</u>	<u>(112,144,110)</u>
Net capital assets – Student Housing	<u>125,719,802</u>	<u>(6,267,690)</u>	<u>—</u>	<u>119,452,112</u>
Total	<u>\$ 256,933,673</u>	<u>(14,911,092)</u>	<u>—</u>	<u>242,022,581</u>

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>June 30, 2019</u>
College:				
Buildings	\$ 100,950,995	—	—	100,950,995
Infrastructure	10,000,000	—	—	10,000,000
Building improvements	145,804,540	12,438,760	—	158,243,300
Leasehold improvements	3,171,772	—	1,826,990	4,998,762
Library acquisitions	7,816,273	112,625	—	7,928,898
Equipment	62,678,959	2,142,250	(8,357)	64,812,852
Construction in progress	14,512,656	6,814,578	(1,826,990)	19,500,244
Total	<u>344,935,195</u>	<u>21,508,213</u>	<u>(8,357)</u>	<u>366,435,051</u>

Less accumulated depreciation:				
Buildings	(87,174,214)	(593,270)	—	(87,767,484)
Infrastructure	(5,000,000)	(500,000)	—	(5,500,000)
Building improvements	(62,860,419)	(14,096,460)	—	(76,956,879)
Leasehold improvements	(2,082,590)	(361,004)	—	(2,443,594)
Library acquisitions	(7,295,041)	(105,081)	—	(7,400,122)
Equipment	(51,905,435)	(3,256,023)	8,357	(55,153,101)
Total accumulated depreciation	<u>(216,317,699)</u>	<u>(18,911,838)</u>	<u>8,357</u>	<u>(235,221,180)</u>
Net capital assets – College	<u>128,617,496</u>	<u>2,596,375</u>	<u>—</u>	<u>131,213,871</u>

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

	June 30, 2018	Additions	Deletions/ transfers	June 30, 2019
Student Housing:				
Land (nondepreciable)	\$ 12,408,700	—	—	12,408,700
Building	62,341,610	—	—	62,341,610
Building renovations and improvements	137,451,213	5,613,200	—	143,064,413
Capitalized software	13,600	—	—	13,600
Furniture, fixtures, and equipment	11,898,325	—	—	11,898,325
	<u>224,113,448</u>	<u>5,613,200</u>	<u>—</u>	<u>229,726,648</u>
Less accumulated depreciation:				
Building	(32,767,222)	(1,603,788)	—	(34,371,010)
Building renovations and improvements	(52,120,038)	(6,126,304)	—	(58,246,342)
Capitalized software	(13,600)	—	—	(13,600)
Furniture, fixtures, and equipment	(10,917,925)	(457,969)	—	(11,375,894)
Total accumulated depreciation	<u>(95,818,785)</u>	<u>(8,188,061)</u>	<u>—</u>	<u>(104,006,846)</u>
Net capital assets – Student Housing	<u>128,294,663</u>	<u>(2,574,861)</u>	<u>—</u>	<u>125,719,802</u>
Total	<u>\$ 256,912,159</u>	<u>21,514</u>	<u>—</u>	<u>256,933,673</u>

**(7) Bonds Payable**

**(a) The College**

In July 2000, DASNY issued Fashion Institute of Technology Revenue Bonds, Series 2000 (the Series 2000 Bonds) in the amount of \$18,515,000, the proceeds of which were used to fund a portion of the College's Master Plan, Phase I, as well as to refinance the outstanding principal amount of \$4,155,000 on the College's Series 1990 Bonds. The Series 2000 bonds were issued at a discount of \$372,128, with interest at variable rates ranging from 4.35% to 5.40% until maturity in July 2030. According to the terms of an agreement between the College, New York City, and New York State, the debt service on the bonds (consisting of semiannual interest payments and annual principal payments) will be covered by appropriations from the state and city.

In October 2007, DASNY issued new bonds in the amount of \$5,860,000 to refinance a portion of the original 2000 Series bonds, which saved New York State an estimated \$475,000 over the life of the bonds. The bonds were sold with a \$184,872 premium, with interest at variable rates ranging from 4.00% to 5.00% until maturity in April 2026. Of the original 2000 bonds, \$5,700,000 was refunded. The

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

loss on defeasance on the refunded bonds was \$614,316. In addition, during 2012, DASNY early retired \$5,095,000 of the College's debt utilizing excess debt service reserves.

In July 2017, DASNY issued new bonds in the amount of \$3,090,000 to refinance the 2007 Series bonds, which saved New York State an estimated \$406,000 over the life of the bonds. The bonds were sold with a \$580,033 premium, with interest and variable rates ranging from 4.10% to 5.00% until maturity in April 2026. Annual amortization on the defeasance of \$72,504 is included in the statement of revenue, expenses, and changes in net position (SRECNP) under amortization of debt expense.

In October 2018, the \$2,938,473 balance of the Series 2000 bonds was fully repaid utilizing a \$2,585,460 appropriation from New York State, \$344,735 from the debt service reserve fund, and \$8,278 from the debt service fund.

Total debt service (annual principal and interest payments) on the remaining 2017 bond issue of \$3,534,564 is due for years subsequent to June 30, 2020 is as follows:

	Principal			Interest expense
	Cash	Discount	Total	
2021	\$ 370,000	74,645	444,645	147,563
2022	635,000	74,645	709,645	124,094
2023	660,000	74,645	734,645	91,875
2024	695,000	74,645	769,645	58,219
2025	730,000	74,647	804,647	22,813
Total	\$ 3,090,000	373,227	3,463,227	444,564
Less current portion			(370,000)	
Noncurrent portion			\$ 3,093,227	

In fiscal years 2020 and 2019, New York State's appropriation for debt service was \$0 and \$2,739,960, respectively. There was no New York City appropriation in fiscal years 2020 and 2019. These amounts are included in the statements of revenues, expenses, and changes in net position as capital appropriations, gifts, and grants. The bonds are collateralized by pledged revenues and the underlying assets of the College in the unlikely event that either or both New York State and New York City default on their pledges to cover debt service.

**(b) Student Housing**

On June 9, 2004, DASNY issued FIT Student Housing Corporation Insured Revenue Bonds (2004 Issue) in the principal amount of \$144,545,000, with a premium of \$1,504,334. The total bond proceeds of \$146,049,334 were used to purchase and renovate a building at 406 West 31st Street for use as a 1,100 bed dormitory (which opened in August 2006). The debt service obligation is funded by a pledge of revenue consisting of room rents.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

Under the initial terms of the agreement, a Debt Service Reserve Fund was established, into which \$9,895,670 was deposited. During the fiscal year 2006, in order to cover higher than estimated renovation expenses for the 31st Street dormitory, DASNY secured on behalf of Student Housing, the approval of the bond insurer to allow the funds in the Debt Service Reserve Fund to be transferred to the Construction Fund. A total of \$9,698,945 was transferred to the Construction Fund, and additional bond insurance worth \$346,348 was purchased. In addition, during fiscal years 2006 and 2007 at the request of DASNY, Student Housing transferred to DASNY a total of \$6,200,000 to cover additional construction and renovation costs.

In May 2007, DASNY issued new bonds in the principal amount of \$110,935,000 to refinance a portion of the original 2004 Series bonds, which saved Student Housing an estimated \$4,400,000 in debt service payments over the life of the bonds. The bonds were sold on May 31, 2007 with a premium of \$14,639,189. The loss on defeasance on the nonrefunded 2004 bond was \$10,074,947. Annual amortization on the defeasance in the amount of \$373,146 is included in the SRECNP under amortization of debt expense. The loss on defeasance is recorded in deferred outflow of resources.

The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased debt are not included in these financial statements. At June 30, 2020 and 2019, \$102,120,000 and \$106,610,000, respectively, remained outstanding and is considered defeased.

Total debt service (annual principal and interest payments) on the 2007 bond issue of \$140,048,338 is due for years subsequent to June 30, 2020 is as follows:

	<u>Cash</u>	<u>Principal Premium</u>	<u>Total</u>	<u>Interest expense</u>
2021	\$ 4,490,000	545,896	5,035,896	4,948,913
2022	4,730,000	545,896	5,275,896	4,700,588
2023	4,975,000	545,896	5,520,896	4,439,400
2024	5,235,000	545,896	5,780,896	4,164,563
2025	5,515,000	545,896	6,060,896	3,875,025
2026–2030	32,215,000	2,729,479	34,944,479	14,574,513
2031–2035	41,595,000	2,183,582	43,778,582	4,590,336
Total	\$ <u>98,755,000</u>	<u>7,642,541</u>	106,397,541	<u>41,293,338</u>
Less current portion			<u>(4,490,000)</u>	
Noncurrent portion			\$ <u>101,907,541</u>	



**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

In early 2008, FIT and Student Housing were notified by the bonds' underwriter that because the credit rating of the bond's insurance agency had been downgraded, under the terms of the bond offering, Student Housing would be required to fund the debt service reserve account to the initial level of \$9,895,670 over a five-year period, by making semiannual payments of \$987,243. In order to enable Student Housing to make these payments, FIT agreed to loan Student Housing up to \$9,895,670 over a five-year period (note 10). The first payment to refund the debt service reserve fund was made in June 2008. As of June 30, 2020 and 2019, Student Housing has made payments totaling \$7,474,123, which brought the debt service reserve fund to the required level.

**(8) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following at June 30, 2020 and 2019:

	<b>2020</b>		
	<b>College</b>	<b>Component units</b>	<b>Total</b>
Vendors and other	\$ 11,287,571	863,899	12,151,470
Accrued payroll	5,338,801	41,149	5,379,950
Retirement payable	1,859,348	—	1,859,348
Due to NYC	909,984	—	909,984
	<u>\$ 19,395,704</u>	<u>905,048</u>	<u>20,300,752</u>
	<b>2019</b>		
	<b>College</b>	<b>Component units</b>	<b>Total</b>
Vendors and other	\$ 18,321,263	3,563,355	21,884,618
Accrued payroll	5,328,962	8,665	5,337,627
Retirement payable	2,256,095	—	2,256,095
Due to NYC	909,984	—	909,984
	<u>\$ 26,816,304</u>	<u>3,572,020</u>	<u>30,388,324</u>

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

**(9) Noncurrent Liabilities**

A summary of changes in noncurrent liabilities for the years ended June 30, 2020 and 2019 is as follows:

	<b>2020</b>				
	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Due within one year</b>
College:					
Accrued vacation and sick leave	\$ 20,519,233	1,289,104	(1,592,690)	20,215,647	—
Total OPEB obligation	98,920,626	27,287,305	(1,816,763)	124,391,168	—
Bonds payable	3,537,872	—	(74,645)	3,463,227	370,000
	<u>\$ 122,977,731</u>	<u>28,576,409</u>	<u>(3,484,098)</u>	<u>148,070,042</u>	<u>370,000</u>
Component units:					
Accrued vacation and sick leave	\$ 294,635	91,940	(161,238)	225,337	—
Paycheck Protection Program loan	—	209,800	—	209,800	81,589
Total OPEB obligation	1,763,691	117,901	(196,617)	1,684,975	—
Due to affiliated organizations	7,883,460	1,899,932	(368,268)	9,415,124	1,941,001
Bonds payable	111,208,438	—	(4,810,897)	106,397,541	4,490,000
	<u>\$ 121,150,224</u>	<u>2,319,573</u>	<u>(5,537,020)</u>	<u>117,932,777</u>	<u>6,512,590</u>
<b>2019</b>					
	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Due within one year</b>
College:					
Accrued vacation and sick leave	\$ 20,454,303	1,254,090	(1,189,160)	20,519,233	—
Total OPEB obligation	82,556,123	18,075,914	(1,711,411)	98,920,626	—
Bonds payable	6,375,246	—	(2,837,374)	3,537,872	—
	<u>\$ 109,385,672</u>	<u>19,330,004</u>	<u>(5,737,945)</u>	<u>122,977,731</u>	<u>—</u>
Component units:					
Accrued vacation and sick leave	\$ 467,788	—	(173,153)	294,635	—
Total OPEB obligation	1,291,501	481,526	(9,336)	1,763,691	—
Due to affiliated organizations	8,229,700	—	(346,240)	7,883,460	409,337
Bonds payable	115,809,333	—	(4,600,895)	111,208,438	4,810,896
	<u>\$ 125,798,322</u>	<u>481,526</u>	<u>(5,129,624)</u>	<u>121,150,224</u>	<u>5,220,233</u>

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

**(10) Restricted Deposits with DASNY Trustees**

Unexpended DASNY bond proceeds, as well as any “equity” cash contributions made by the College or Student Housing, are held by various trustee banks under contract with DASNY and invested in U.S. government securities (Treasury notes and Treasury bills), with maturity dates of under one year.

**(a) The College**

As part of the original agreement with New York State and New York City, the College made an “equity” contribution of \$4,857,526, which was added to the 2000 DASNY bond proceeds (note 7) to pay for construction costs of the Master Plan projects. To cover additional expenses associated with these projects from fiscal year 2002 to fiscal year 2004, the College contributed an additional \$3,374,005. Both amounts were paid from privately raised gifts.

In April 2003, the College contributed \$2,046,880 as an equity share in DASNY’s Personal Income Tax Education 2003A bond offering. The College’s share of the proceeds of this offering was used to fund additional Master Plan Phase I projects. By April 2008, because of interest income earned on the unexpended portion, the College’s equity share was \$2,329,702. In May 2008, in preparation for the A Building labs renovations, this amount, plus \$721,865 in unexpended equity proceeds from the DASNY 2000 bond issue, was transferred to a separate account maintained by DASNY from which the College’s portion of the A Building labs renovation expenses will be paid. The College transferred an additional \$1,000,000 to the account in June 2009 to pay its share of the expenses of the project.

The following tables represent deposits with DASNY trustees, consisting of cash and cash equivalents and U.S. government securities, as of June 30, 2020 and 2019:

	<b>2020</b>		
	<b>Cash and cash equivalents</b>	<b>U.S. Treasury bills</b>	<b>Total</b>
DASNY 2017:			
Debt service fund	\$ 324	—	324
Total DASNY 2017	324	—	324
DASNY building labs renovation	266,655	76,394	343,049
Total	\$ 266,979	76,394	343,373

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

	<b>2019</b>		
	<b>Cash and cash equivalents</b>	<b>U.S. Treasury bills</b>	<b>Total</b>
DASNY 2017:			
Debt service fund	\$ 541	77,305	77,846
Total DASNY 2017	541	77,305	77,846
DASNY building labs renovation	262,817	75,163	337,980
Total	\$ 263,358	152,468	415,826

**(b) Student Housing**

The following tables represent restricted deposits with bond trustees, consisting of cash and cash equivalents and U.S. government securities, as of June 30, 2020 and 2019:

	<b>2020</b>		
	<b>Cash and cash equivalents</b>	<b>U.S. Treasury bills</b>	<b>Total</b>
Debt service fund	\$ 7,108,486	—	7,108,486
Debt service reserve fund	1,067	9,686,155	9,687,222
Total	\$ 7,109,553	9,686,155	16,795,708

	<b>2019</b>		
	<b>Cash and cash equivalents</b>	<b>U.S. Treasury bills</b>	<b>Total</b>
Debt service fund	\$ 4,851,287	2,154,000	7,005,287
Debt service reserve fund	539	9,732,870	9,733,409
Total	\$ 4,851,826	11,886,870	16,738,696

Restricted Deposits with Bond Trustee are subject to the following risks:

*(i) Custodial Credit Risk*

Custodial credit risk for restricted deposits with bond trustee and amounts held by DASNY is the risk that in the event of a bank failure or counterparty failure, the College will not be able to recover the value of its cash and investments in the possession of an outside party. All of the investments held are held by DASNY, not in the College's name.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

(ii) *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. During 2020 and 2019, restricted deposits with bond trustee were not exposed to concentration of credit risk.

(iii) *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have a formal investment policy for restricted deposits with bond trustee that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments primarily consist of obligations of the U.S. government and are reported at fair value with maturities of one year or less.

#### (11) Employee Pension Benefit Plans

The College provides pension benefits for its employees through contributions to TRS and the SUNY Optional Retirement Program (ORP). These systems provide various plans and options, some of which require employee contributions. Substantially all of the College's full-time staff and faculty are covered by and participate in one of the two pension plans.

TRS issues a publicly available financial report that includes financial statements and supplementary information. The reports may be obtained by writing to:

New York State Teachers' Retirement System  
10 Corporate Woods Drive  
Albany, New York 12211  
<https://www.nystrs.org/>

The following is a brief description of each plan:

(a) ***New York State Teachers' Retirement System***

The College contributes to the TRS, a cost-sharing, multiple-employer defined benefit pension plan administered by the New York State Teachers' Retirement System Board. The System provides retirement, disability, withdrawal, and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. Benefit provisions vary depending on date of membership.

Plan members who joined TRS before July 27, 1976 (Tiers 1 and 2) are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 (Tiers 3 and 4) are required to contribute 3% of their annual salary. However, pursuant to legislation effective October 1, 2000, the 3% mandatory contribution to the retirement system ended for employees who have attained 10 years of membership. Those joining on or after January 1, 2010 and prior to April 1, 2012 (Tier 5) are required to contribute 3.5% of salary through their active membership. Those joining on or after April 1, 2012 (Tier 6) are required to contribute between 3% and 6% of salary through their active membership in accordance with a schedule based upon salary earned.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

The College is required to contribute at an actuarial determined rate applicable to member salaries and adopted annually by the Retirement Board. The actuarially determined contribution rate applicable to 2019 – 2020 and 2018 – 2019 member salaries was 8.86% and 10.62%, respectively.

Members are generally eligible for service retirement allowances ranging from 1.75% to 2.00% per year of service depending on their membership Tier, subject to certain limitations.

The College's required employer contribution was made for 2020 and 2019, which totaled \$1,859,348 and \$2,256,095, respectively. The employees' contribution for 2020 and 2019 was \$258,652 and \$222,867, respectively.

At June 30, 2020 and 2019, the College's net pension asset was \$3,306,545 and \$2,397,743, respectively, which represents its proportionate share of the TRS net pension asset. The College's proportionate share of the net pension asset was based on the ratio of the College's actuarially determined employer contribution to the total TRS actuarially determined employer contribution.

The net pension asset reported at June 30, 2020 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the net pension liability to June 30, 2019. The net pension asset reported at June 30, 2019 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the net pension liability to June 30, 2018. The proportionate share of the net pension asset was 0.1273% and 0.1326% measured at both June 30, 2019 and June 30, 2018, respectively.

For the years ended June 30, 2020 and 2019, the College recognized pension expense of \$4,207,980 and \$1,926,869, respectively. At June 30, 2020 and 2019, the College reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<b>2020</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 2,240,761	245,881
Net difference between projected and actual earnings on pension plan investments	—	2,651,678
Changes of assumptions	6,246,506	1,523,075
Changes in employer proportion	1,674,766	907,936
Employer contribution made subsequent to the measurement date	1,859,348	—
Total	\$ 12,021,381	5,328,570

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

	<b>2019</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 1,791,814	324,567
Net difference between projected and actual earnings on pension plan investments	—	2,661,678
Changes of assumptions	8,381,686	—
Changes in employer proportion	1,633,739	1,129,384
Employer contribution made subsequent to the measurement date	2,256,095	—
Total	\$ 14,063,334	4,115,629

The \$1,859,348 and \$2,256,095 for the years ended June 30, 2020 and 2019, respectively, were reported as deferred outflows of resources related to the College's contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the subsequent year. The collective other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2020 will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 1,614,796
2022	213,789
2023	1,609,374
2024	1,057,191
2025	366,117
Thereafter	(27,804)
Total	\$ 4,833,463

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

(i) *2018 Actuarial Assumptions*

The June 30, 2018 actuarial valuation used the following actuarial assumptions that were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

Inflation rate of 2.20% was assumed.

Projected salary increases – rates of increase differ based on service. They have been calculated based on recent TRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72 %
15	3.46
25	2.37
35	1.90

Projected COLAS – 1.3% compounded annually.

Investment rate of return – 7.10% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2018, applied on a generational basis.

The long-term expected rate of return on pension investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) for each major asset class as well as historical investment data and plan performance.



**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

Best estimates of arithmetic real rates of return for each major asset class included in TRS target asset allocation as of the valuation date of June 30, 2019 is as follows:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Domestic equities	33.0 %	6.3 %
International equities	16.0	7.8
Global equities	4.0	7.2
Real estate	11.0	4.6
Alternative investments	8.0	9.9
Total equities	<u>72.0</u>	
Domestic fixed income securities	16.0	1.3
Global fixed income securities	2.0	0.9
High-yield fixed income securities	1.0	3.6
Mortgages	7.0	2.9
Private debt	1.0	6.5
Short-term	1.0	0.3
Total fixed income securities	<u>28.0</u>	
Total	<u><u>100.0 %</u></u>	

Real rates of return in the table above are net of a long-term inflation assumption of 2.2%.

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(ii) *2017 Actuarial Assumptions*

The June 30, 2017 actuarial valuation used the following actuarial assumptions that were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

Inflation rate of 2.25% was assumed.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

Projected salary increases – rates of increase differ based on service. They have been calculated based on recent TRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72 %
15	3.46
25	2.37
35	1.90

Projected COLAS – 1.5% compounded annually.

Investment rate of return – 7.25% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis.

The long-term expected rate of return on pension investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) for each major asset class as well as historical investment data and plan performance.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

Best estimates of arithmetic real rates of return for each major asset class included in TRS target asset allocation as of the valuation date of June 30, 2018 is as follows:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Domestic equities	33.0 %	5.8 %
International equities	16.0	7.3
Global equities	4.0	6.7
Real estate	11.0	4.9
Alternative investments	8.0	8.9
Total equities	<u>72.0</u>	
Domestic fixed income securities	16.0	1.3
Global fixed income securities	2.0	0.9
High-yield fixed income securities	1.0	3.5
Mortgages	7.0	2.8
Private debt	1.0	6.8
Short-term	1.0	0.3
Total fixed income securities	<u>28.0</u>	
Total	<u><u>100.0 %</u></u>	

Real rates of return in the table above are net of a long-term inflation assumption of 2.3%.

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

(iii) *Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate*

The following table presents the net pension asset (liability) of the College at June 30, 2020, calculated using the discount rate of 7.10% as well as what the College's net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.10%) and 1-percentage point higher (8.10%) than the current year rate:

	<u>1% Decrease (6.10%)</u>	<u>Current discount rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
2020	\$ (14,925,398)	3,306,545	18,601,088

The following table presents the net pension asset (liability) of the College at June 30, 2019, calculated using the discount rate of 7.25% as well as what the College's net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) and 1-percentage point higher (8.25%) than the current year rate:

	<u>1% Decrease (6.25%)</u>	<u>Current discount rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
2019	\$ (16,472,888)	2,397,743	18,206,089

**(b) SUNY Optional Retirement Program (ORP)**

College employees may also participate in the ORP, which is a multiple employer, defined contribution plan administered by separate vendors – TIAA CREF, Fidelity Investments, Met Life, VALIC, and VOYA.

The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such there are no forfeitures reported by these plans if an employee is terminated prior to vesting.

Employees who joined the ORP after July 27, 1976, and have less than ten years of service or membership are required to contribute 3% of their salary. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

Employer contributions range from 8% to 15% depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the ORP.

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

Employer contributions to the ORP are based on participating employee salaries. Contributions for both fiscal years 2020 and 2019 were 100% of the required contributions and were as follows:

	<b>2020</b>		
	<b>Payroll</b>	<b>Employer contribution</b>	<b>Employee contribution</b>
College	\$ 82,617,958	8,215,211	1,355,324
Student Housing	1,055,166	97,844	32,785
	<u>\$ 83,673,124</u>	<u>8,313,055</u>	<u>1,388,109</u>
<b>2019</b>			
	<b>Payroll</b>	<b>Employer contribution</b>	<b>Employee contribution</b>
College	\$ 76,310,744	8,493,314	1,328,021
Student Housing	1,081,720	96,915	30,289
Student Faculty	—	—	—
	<u>\$ 77,392,464</u>	<u>8,590,229</u>	<u>1,358,310</u>

**(12) Postretirement Health Benefits**

**(a) Plan Description**

FIT provides retiree healthcare benefits to eligible retirees of the College and its component organizations through the New York City Health Insurance Program. In addition, FIT reimburses a portion of the Part B premium for Medicare-eligible retirees and covered spouses; also, FIT makes contributions to the welfare fund of the United College Employees of FIT (UCE). The plan does not currently issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The plan is classified as a single employer defined benefit plan under GASB No. 75. No assets are accumulated in a trust that meets the criteria under GASB No. 75.

Eligibility for plan participation is as follows:

**Attained Full-Time Position**

Hired on or before June 30, 1976:

- Age 55+
- Less than 55

Hired between July 1, 1976 and August 31, 1985:

- Age 62+

**Eligibility Requirement**

- 10 years continuous service
- 15 years continuous service\*

- 10 years continuous service

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

- Less than 62 15 years continuous service#

Hired after September 1, 1985:

- Any age 15 years continuous service#
- \* Benefits only commence upon attainment of age 55 (i.e., if an employee retires at age 53, benefits commence when employee becomes 55).

# Benefits only commence upon attainment of age 62.

At the June 30, 2020 valuation date, the following employees were covered by the benefit terms:

	<b>College</b>	<b>Student Housing</b>
Activities	\$ 854	13
Retirees	298	1
Total	\$ 1,152	14

**Healthcare Coverage:** Basic coverage is provided to eligible retirees through the New York City Health Insurance Program. The plans included in this program are community-rated; given the size of FIT's covered population in relation to the total covered population, FIT's actual claims experience has no effect on the premiums charged by these plans.

**UCE Welfare Fund:** FIT pays \$1,670 annually for most eligible retirees to the UCE Welfare Fund. This contribution may change periodically based on collective bargaining agreements.

**Medicare Part B Premium Reimbursement:** FIT reimburses \$58.70 a month toward Part B premium for all Medicare-eligible retirees and covered spouses.

**(b) Contributions**

The terms of the plan are determined through collective bargaining among FIT, UCE, and the City of New York. FIT (and its component organizations) historically has funded the plan on a pay-as-you-go basis and does not anticipate prefunding the plan.

In the fiscal year ended June 30, 2020, current expenses funded for the College and Student Housing were \$1,816,763 and \$5,194, respectively. In the fiscal year ended June 30, 2019, current expenses funded for the College and Student Housing were \$1,711,411 and \$4,893, respectively.

**(c) Total OPEB Obligation**

The total OPEB obligation measured at June 30, 2020 for the College and Student Housing were \$124,391,168 and \$1,293,397, respectively. The total OPEB obligation measured at June 30, 2019 for the College and Student Housing were \$98,920,626 and \$1,180,690, respectively.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

#### (d) Actuarial Assumptions

The total OPEB obligation for the June 30, 2020 measurement date was from an actuarial valuation as of the same date. The total OPEB obligation in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Healthcare cost trend rates	
Pre-Medicare Plans	6.5% for 2020, decreasing to an ultimate rate of 3.8% at 2075 and years later
Medicare Plans	4.4% for 2020, decreasing to an ultimate rate of 3.8% at 2075 and years later

The mortality rates used are based on the mortality table in the Pub-2010 Public Retirement Plans Mortality Tables adjusted for mortality improvements with the Scale MP-2019 mortality improvement scale on a generational basis.

The total OPEB obligation for the June 30, 2019 measurement date was rolled forward from the actuarial valuation as of June 30, 2017 to June 30, 2019. The actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0 %
Healthcare cost trend rates	
Pre-Medicare Plans	7.5% for 2017, decreasing 0.5% per year to an ultimate rate of 5.0% at 2022 and years later
Medicare Plans	5.0% for all years

The mortality rates used are based on the mortality table in the New York City Teacher's Retirement System Assumption report (the Silver Book). The mortality table is based on a 10-year study with a base year of 2010, which is projected to year 2025 using the AA scale

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

**(e) Changes in the Total OPEB Obligation**

	<b>2020</b>	
	<b>College</b>	<b>Student Housing</b>
Total OPEB obligation, beginning of year	\$ 98,920,626	1,180,690
Service Cost	4,097,855	91,167
Interest	3,573,854	44,424
Differences between expected and actual experience	17,936,300	7,384
Changes in assumptions and other inputs	1,679,296	(25,074)
Actual benefit payments	(1,816,763)	(5,194)
Net changes (OPEB expense)	25,470,542	112,707
Total OPEB obligation, end of year	\$ 124,391,168	1,293,397

	<b>2019</b>	
	<b>College</b>	<b>Student Housing</b>
Total OPEB obligation, beginning of year	\$ 82,556,123	789,517
Service Cost	3,635,572	68,425
Interest	3,302,817	33,109
Differences between expected and actual experience	110,420	670
Changes in assumptions and other inputs	11,027,105	293,862
Actual benefit payments	(1,711,411)	(4,893)
Net changes (OPEB expense)	16,364,503	391,173
Total OPEB obligation, end of year	\$ 98,920,626	1,180,690

**(f) Discount Rate**

The discount rate used to measure the OPEB obligation as of June 30, 2020 and 2019 was 2.21% and 3.50%, respectively, based on the Bond Buyer's 20 Bond Index.



**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

**(g) Sensitivity of the total OPEB Obligation to Changes in the Discount Rate**

The following presents the College's total OPEB obligation calculated as of June 30, 2020 using the discount rate of 2.21%, as well as what the College's liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) and 1-percentage point higher (3.21%) than the current year rate:

	<u>1% Decrease (1.21%)</u>	<u>Current discount rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
College total OPEB obligation	\$ 147,874,549	124,391,168	105,725,286
Student Housing total OPEB obligation	1,667,337	1,293,397	1,012,954

The following presents the College's total OPEB obligation calculated as of June 30, 2019 using the discount rate of 3.50%, as well as what the College's liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) and 1-percentage point higher (4.50%) than the current year rate:

	<u>1% Decrease (2.50%)</u>	<u>Current discount rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
College total OPEB obligation	\$ 119,667,851	98,920,626	82,760,856
Student Housing total OPEB obligation	1,603,232	1,180,690	877,999

**(h) Sensitivity of the total OPEB Obligation to Changes in the Healthcare Cost Trend Rates**

The following presents the College, and Student Housing total OPEB obligation calculated as of June 30, 2020 using the healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (5.5% decreasing to 2.8%)</u>	<u>Healthcare cost trend rates (6.5% decreasing to 3.8%)</u>	<u>1% Increase (7.5% decreasing to 4.8%)</u>
College total OPEB obligation	\$ 103,566,622	124,391,168	152,025,637
Student Housing total OPEB obligation	959,226	1,293,397	1,786,509

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

The following presents the College, and Student Housing total OPEB obligation calculated as of June 30, 2019 using the healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	<b>1% Decrease (5.5% decreasing to 4.0%)</b>	<b>Healthcare cost trend rates (6.5% decreasing to 5.0%)</b>	<b>1% Increase (7.5% decreasing to 6.0%)</b>
College total OPEB obligation	\$ 81,075,615	98,920,626	122,952,663
Student Housing total OPEB obligation	831,518	1,180,690	1,712,541

**(i) Deferred Outflows and Inflows of Resources**

The following are components of the deferred outflows and inflows at June 30, 2020 and 2019:

	<b>2020</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
College:		
Differences between expected and actual experience	\$ 3,725	16,894,104
Changes in assumptions	9,339,883	10,127,026
Total	<u>\$ 9,343,608</u>	<u>27,021,130</u>
Student Housing:		
Differences between expected and actual experience	\$ —	8,437
Changes in assumptions	226,723	263,968
Total	<u>\$ 226,723</u>	<u>272,405</u>

**FASHION INSTITUTE OF TECHNOLOGY**

Notes to Basic Financial Statements

June 30, 2020 and 2019

	<b>2019</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
College:		
Differences between expected and actual experience	\$ 1,067,744	4,259
Changes in assumptions	9,828,378	11,056,338
Total	\$ 10,896,122	11,060,597
Student Housing:		
Differences between expected and actual experience	\$ 1,511	—
Changes in assumptions	278,915	214,909
Total	\$ 280,426	214,909

The deferred outflow and deferred inflows of resources at June 30, 2020 will be recognized in expense as follows:

	<b>College</b>	<b>Student Housing</b>
Year ended June 30:		
2021	\$ 1,757,027	2,145
2022	1,757,027	2,145
2023	1,758,590	2,145
2024	1,763,496	2,145
2025	1,764,132	2,145
Thereafter	8,877,250	34,957
Total	\$ 17,677,522	45,682

**(j) Annual OPEB expense**

In the fiscal year ended June 30, 2020, the annual OPEB expense for the College and Student Housing were \$9,445,308 and \$137,736, respectively. In the fiscal year ended June 30, 2019, the annual OPEB expense for the College and Student Housing were \$6,579,073 and \$104,578 respectively.

## FASHION INSTITUTE OF TECHNOLOGY

### Notes to Basic Financial Statements

June 30, 2020 and 2019

#### (13) Operating Leases of the College

The College leases certain office facilities under operating lease arrangements. Future minimum payments, including escalation clauses and other pass-through expenses, for noncancelable operating leases as of June 30, 2020 are as follows:

Fiscal year ending June 30:	
2021	7,230,574
2022	7,409,553
2023	7,698,240
2024	7,888,878
2025	8,084,265
Thereafter	<u>61,353,341</u>
	<u>\$ 99,664,851</u>

Total rent expense, including all escalations and adjustments, was \$6,795,746 and \$6,745,313 during the years ended June 30, 2020 and 2019, respectively.

#### (14) Commitments and Contingencies of the College

The College is obligated to pay, or provide for payment to Student Housing if Student Housing is unable to make payments on its outstanding bond obligation. The bonds are secured by the pledges to Student Housing and its rental revenue, as well as its mortgaged properties and security interests in fixtures and equipment.

The College has received federal and state aid and grants, which are subject to audit by agencies of the federal and state governments. Such audits may result in disallowances and a request for a return of funds to the federal and state governments. The College believes that potential disallowances, if any, have been adequately provided for.

In the June 2017, damage was caused in Feldman Hall as a result of a basement fire. In fiscal years 2019, the College recorded insurance recoveries of \$633,710.

The College is a defendant in certain lawsuits arising in the ordinary course of operations. While the outcome of lawsuits or other proceedings against the College cannot be predicted with certainty, the College does not expect that these matters will have a material adverse effect on its financial position.

**FASHION INSTITUTE OF TECHNOLOGY**

Required Supplementary Information – Schedule of Changes in the College’s Total OPEB Obligation and Related Ratios

June 30, 2020\*

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
College:				
Total OPEB obligation, beginning of year	\$ 98,920,626	82,556,123	80,767,916	85,993,495
Service Cost	4,097,855	3,635,572	3,843,208	4,657,665
Interest	3,573,854	3,302,817	2,998,414	2,559,760
Differences between expected and actual experience	17,936,300	110,420	658,364	672,437
Changes in assumptions and other inputs	1,679,296	11,027,105	(4,252,506)	(11,433,626)
Actual benefit payments	<u>(1,816,763)</u>	<u>(1,711,411)</u>	<u>(1,728,275)</u>	<u>(1,681,815)</u>
Net changes (OPEB expense)	25,470,542	16,364,503	1,519,205	(5,225,579)
Transfer from Student Faculty	<u>—</u>	<u>—</u>	269,002	<u>—</u>
Total OPEB obligation, end of year	124,391,168	98,920,626	82,556,123	80,767,916
Covered employee payroll	<u>82,617,958</u>	<u>76,310,744</u>	<u>74,449,506</u>	<u>72,369,290</u>
Total OPEB obligation as a percentage of covered employee payroll	<u>150.56 %</u>	<u>129.63 %</u>	<u>110.89 %</u>	<u>111.61 %</u>
Student housing:				
Total OPEB obligation, beginning of year	\$ 1,180,690	789,517	757,543	818,322
Service cost	91,167	68,425	74,547	96,116
Interest	44,424	33,109	29,710	26,001
Differences between expected and actual experience	7,384	670	467	529
Changes in assumptions and other inputs	(25,074)	293,862	(68,306)	(179,145)
Actual benefit payments	<u>(5,194)</u>	<u>(4,893)</u>	<u>(4,444)</u>	<u>(4,280)</u>
Net changes (OPEB expense)	112,707	391,173	31,974	(60,779)
Total OPEB obligation, end of year	1,293,397	1,180,690	789,517	757,543
Covered employee payroll	<u>1,055,166</u>	<u>1,081,720</u>	<u>1,055,337</u>	<u>1,029,597</u>
Total OPEB obligation as a percentage of covered employee Payroll	<u>122.58 %</u>	<u>109.15 %</u>	<u>74.81 %</u>	<u>73.58 %</u>
Additional information:				
Discount rate	2.21 %	3.50 %	3.87 %	3.58 %
Plan changes	none	none	none	none

For fiscal years 2017 to 2019 the mortality table in the New York City Teacher’s Retirement System Assumption report was used. In fiscal year 2020 the mortality table in the Pub-2010 Public Retirement Plans was used.

\* Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available.

See accompanying independent auditors’ report.

**FASHION INSTITUTE OF TECHNOLOGY**

Required Supplementary Information – Schedules of Proportionate Share, Employer Contributions and Notes  
New York State Teachers' Retirement System

June 30, 2020\*

**Schedule of Proportionate Share at Measurement Date**

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the net pension asset	0.1273 %	0.1326 %	0.1541 %	0.1319 %	0.1389 %	0.1417 %	0.1423 %
Proportionate share of the net pension asset (liability)	\$ 3,306,545	2,397,743	1,171,110	(1,412,696)	14,428,795	15,781,117	936,595
Covered payroll	21,243,829	21,597,972	24,513,498	20,353,379	20,866,852	20,921,148	20,834,803
Proportionate share of the net pension asset (liability) as a% of its covered payroll	15.56 %	11.10 %	4.78 %	(6.94)%	69.15 %	75.43 %	4.50 %
Pension plan's fiduciary net position as a% of the total pension liability	102.20 %	101.53 %	100.66 %	99.01 %	110.46 %	111.48 %	111.48 %

**Schedule of Employer Contributions**

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions (1)	\$ 1,859,348	2,256,095	2,116,601	2,872,982	2,698,858	3,657,959	3,399,688
Contributions in relation to the actuarial determined contribution (2)	1,859,348	2,256,095	2,116,601	2,872,982	2,698,858	3,657,959	3,399,688
Contribution deficiency (excess)	—	—	—	—	—	—	—
Covered payroll (3)	20,985,868	21,243,829	21,597,971	24,513,498	20,353,379	20,866,852	20,921,148
Contribution as a percentage of covered-employee payroll	8.86 %	10.62 %	9.80 %	11.72 %	13.26 %	17.53 %	16.25 %

- (1) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and miscellaneous accounting adjustments.
- (2) The contributions in relation to the actuarially determined contribution reflects actual payments.
- (3) Covered-employee payroll represents total payroll.

**Notes**

(Unaudited)

Changes in benefit terms – There were no significant changes in benefits for the June 30, 2019 measurement date (actuarial valuation as of June 30, 2018).

Changes in assumptions – The following lists the significant changes in assumptions between the June 30, 2018 valuation and the June 30, 2013 valuation:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Experience study period	July 1, 2009 to June 30, 2014	July 1, 2009 to June 30, 2014	July 1, 2009 to June 30, 2014	July 1, 2009 to June 30, 2014	July 1, 2005 to June 30, 2010	July 1, 2005 to June 30, 2010	July 1, 2005 to June 30, 2010
Inflation rate	2.20 %	2.25 %	2.5 %	2.5 %	3.0 %	3.0 %	3.0 %
Projected salary increases based on	Service	Service	Service	Service	Age and gender	Age and gender	Age and gender
Projected COLAs, compounded annually	1.3 %	1.5 %	1.5 %	1.5 %	1.625 %	1.625 %	1.625 %
Investment rate of return, compounded annually	7.10	7.25	7.25	7.25	8.00	—	8.00
Mortality rates – Society of Actuaries Scale, adjusted	MP2018	MP2014	MP2014	MP2014	AA	AA	AA
Discount rates	7.10 %	7.25 %	7.25 %	7.50 %	8.00 %	8.00 %	8.00 %

\*Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available.

See accompanying independent auditors' report.

## FASHION INSTITUTE OF TECHNOLOGY

Schedule of Reconciliation of the College's Revenues, Expenses, and Other  
Changes to Audited Financial Statements

Year ended June 30, 2020

	<u>Revenues</u>	<u>Expenses</u>	
Totals by fund:			
Unrestricted current funds	\$ 221,361,832	203,858,885	
Restricted current funds	38,710,146	44,036,670	
Plant funds	10,574,596	79,855	
Endowment and similar funds	58,695	512,810	
Student Association	4,704,894	4,649,269	
Totals (all funds)	<u>275,410,163</u>	<u>253,137,489</u>	
Adjustments to reconcile to financial statements:			
Scholarship allowances	(25,075,661)	(25,075,661)	
Expended for plant facilities	(10,492,549)	(10,492,549)	
Depreciation	—	19,135,951	
GASB No. 75 OPEB costs not recognized in annual report	—	42,419,852	
GASB No. 68 pension costs not recognized in annual report	—	2,346,092	
Miscellaneous adjustments	1,037,423	(3,790,802)	
Adjusted totals	<u>\$ 240,879,376</u>	<u>277,680,372</u>	(1)
Per audited financial statements:			
Operating revenue/expenses	\$ 86,721,143	277,600,516	
Nonoperating revenue/expenses	154,158,233	79,856	
Other revenue/expenses	—	—	
Totals per financial statements	<u>\$ 240,879,376</u>	<u>277,680,372</u>	(1)
		<b>Unrestricted</b>	
	<b>Annual report</b>	<b>current</b>	<b>Unreconciled</b>
	<b>Annual report</b>	<b>funds (2)</b>	<b>difference</b>
2020 Total unrestricted expenses	\$ 203,858,885	204,920,231	(1,061,346)
2020 Total revenues – offset to expense plus costs not allowable for state aid	—	—	—
2020 Net operating costs	<u>\$ 203,858,885</u>	<u>204,920,231</u>	(1,061,346)
Description of reconciled difference:			
Bad debt expenses related to student receivables			1,061,346
Total unreconciled difference			<u>\$ —</u>
(1) Adjusted totals should agree to totals per financial statements.			
(2) Unrestricted current funds as contained in the audited financial statements			
		<b>Reported</b>	
		<b>amounts</b>	
Net position/fund balance reconciliation:			
Current unrestricted fund balance *		\$ 66,239,259	
GASB No. 75 adjustment – noncurrent OPEB obligation (per financial statements)		(124,391,168)	
GASB No. 75 adjustment – deferred inflows (per financial statements)		(27,021,130)	
GASB No. 75 adjustment – deferred outflows (per financial statements)		9,343,608	
GASB No. 75 adjustment – FITSA		1,379,752	
Capital expenditures		(26,774,776)	
Unrestricted net position (per financial statements)		<u>\$ (101,224,455)</u>	

\* Line 113 (column C) of annual report

See accompanying independent auditors' report.





**FASHION INSTITUTE OF TECHNOLOGY**  
 Schedule of State-Aidable FTE Tuition Reconciliation  
 Year ended June 30, 2020

	Headcount Credit Hours and FTE				Rate			Equated tuition
	Lower Div	Upper Div	Grad Div	Total	Lower Div	Upper Div	Grad Div	
Calculated tuition based on state-aidable FTE per annual report:								
Full-time student headcount:								
Fall 2019 full-time students per Form 1C	4,032	3,309	111	7,452	2,595	3,535	5,771	22,800,936
Spring 2020 full-time students per Form 1C	3,860	3,058	92	7,010	2,595	3,535	5,771	21,357,662
Total full-time headcount	<u>7,892</u>	<u>6,367</u>	<u>203</u>	<u>14,462</u>				
Total credit hours of full-time students	124,098	98,848	2,622	225,568				
Part-time student credit hours:								
Fall 2019 part-time credits per Form 1C	5,065	2,035	884	7,984	216	295	481	2,119,569
Spring 2020 part-time credits per Form 1C	5,242	3,065	696	9,003	216	295	481	2,371,223
Winter 2020 part-time credits per Form 1C	1,805	755	161	2,721	216	295	481	690,046
Summer 2019 part-time credits per Form 1C	5,088	2,215	275	7,578	216	295	481	1,884,708
Total part-time credit hours	<u>17,200</u>	<u>8,070</u>	<u>2,016</u>	<u>27,286</u>				
Total credit hours	<u>141,298</u>	<u>106,918</u>	<u>4,638</u>	<u>252,854</u>				
Total state-aidable FTE	<u>4,710</u>	<u>3,564</u>	<u>155</u>	<u>8,428</u>				
Total calculated tuition based headcount and credit hours								51,224,144
Reconciliation to annual report and audited financial statements:								
Less:								
Bad debt allowance charged to in-state tuition								(1,061,346)
Other – 10% of summer 2020 tuition deferred to FY 2021								(790,105)
Add:								
Other – miscellaneous differences (withdrawals, adjustments, etc.)								1,391,641
Other – 10% of summer 2019 tuition deferred to FY 2020								1,181,408
Tuition revenue reported on annual report (lines 205-207)								51,945,742
Add:								
Out-of-state resident tuition								37,727,810
Service fees								4,973,158
Student revenue – non state-aidable courses								2,914,090
Fees credited to restricted accounts								1,004,512
Bad debt expense – in-state and out-of-state tuition								1,061,346
Tuition and fee revenue per audited financial statements (gross)								\$ 99,626,658

See accompanying independent auditors' report.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT**

**[THIS PAGE INTENTIONALLY BLANK]**

## **SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT**

The following is a summary of certain provisions of the Lease Agreement (also referred to herein as the “Agreement”). This summary does not purport to be complete and reference is made to the Lease Agreement for full and complete statements of each of its provisions. Except as noted, defined terms used in this Appendix have the meanings ascribed to them in Appendix B. Unless otherwise indicated, references to section numbers refer to sections in the Lease Agreement.

### **Termination**

Unless sooner terminated as provided in the Agreement, the Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Agreement by the Corporation shall have been made or provision made for the payment thereof; provided, however, that certain liabilities and the obligations of the Corporation to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the Agreement shall nevertheless survive any such termination. Upon such termination, an Authorized Officer of the Authority shall deliver such documents as may be reasonably requested by the Corporation to evidence such termination, the release and cancellation of the Agreement, and the discharge of its duties under the Agreement, including the satisfaction of any Mortgage and the release or surrender of any security interests granted by the Corporation to the Authority pursuant to the Agreement and to convey to the Corporation all right, title and interest in and to the Leased Property which the Authority may have at such time free and clear, at the Authority’s own cost and expense, of all mortgages, pledges, liens, encumbrances or claims of any kind on or in respect of the Leased Property (i) created by, or arising as the result of claims against, the Authority not related to a Project or (ii) arising exclusively out of the actual gross negligence or willful misconduct of the Authority.

*(Section 53)*

### **Lease of the Leased Property; Occupancy**

Pursuant to the Agreement, the Authority leases to the Corporation and the Corporation takes and hires from the Authority the Leased Property for the Term of the Agreement and at the fixed rentals specified in the Agreement and other additional rentals as provided in the Agreement and upon the conditions specified in the Agreement.

*(Section 4)*

### **Project Financing**

The Authority agrees to use its best efforts to (i) authorize, issue, sell and deliver the Series 2004 Bonds in a principal amount not exceeding \$150,000,000, (ii) authorize, issue, sell and deliver the Series 2007 Bonds in a principal amount not exceeding \$130,000,000, and (iii) authorize, issue, sell and deliver the Series 2021 Bonds in a principal amount not exceeding \$39,000,000. The proceeds of any Series of Bonds shall be applied as specified in the Series Resolution authorizing the issuance of such Series of Bonds or the Bond Series Certificate relating to such Series of Bonds.

*(Section 5)*

### **Construction of Projects**

In the event that the Authority undertakes the construction of a Project, the Project shall be undertaken in accordance with the Project Management Agreement. The Corporation agrees that whether or not there are sufficient moneys available to it under provisions of the Resolution, the Corporation shall provide such funds as are necessary to complete the Project in accordance with the Project Management Agreement.

The Resolution authorizes the Authority to make payments from the Construction Fund to pay the Cost of the Project or to reimburse the Corporation and the Authority for Costs of the Project paid by either of them upon the filing in the offices of the Authority of the requisition signed by an Authorized Officer of the Authority.

To the extent that the Corporation receives the disbursements of moneys in the Construction Fund to be made under the Agreement, the Corporation will hold the right to receive the same as a trust fund for the purpose of paying the Costs of the Project and will apply the same first to such payment before using any part thereof for any other purposes.

The Corporation shall permit the Authority and its authorized representatives, at all reasonable times, to enter upon the property of the Corporation, the Leased Property, a Project and any Mortgaged Property as necessary to inspect such Project, Leased Property and any Mortgaged Property and all materials, fixtures and articles used or to be used in construction of such Project, and to examine all Contract Documents relating to such Project. The Corporation shall furnish to the Authority and its authorized representatives, when requested, copies of such Contract Documents. The Corporation agrees to retain all documentation or true copies thereof of expenditures for items which constitute Costs of the Project for at least seven years after the date of completion of such Project.

An Authorized Officer of the Authority, in his sole and absolute discretion, may waive, from time to time, any of the conditions set forth under this heading "Construction of Projects". Any such waiver shall not be deemed a waiver by the Authority of its right to thereafter require compliance with any such condition. The Corporation acknowledges and agrees that disbursements from the Construction Fund are to be made by the Trustee and shall be made in accordance with the Resolution only upon receipt by the Trustee of the documents required by the Resolution to be executed and delivered in connection with such disbursements.

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 Corporation and delivered as soon as practicable after the date of completion, or upon delivery to the Trustee and the Corporation of a certificate signed by an Authorized Officer of the Authority and delivered at any time after completion of such Project. Any such certificate shall comply with the requirements of the Resolution. The Authority agrees that it will not execute and deliver any such certificate unless the Authority has notified the Corporation in writing that, in the Authority's judgment, the Project has been completed substantially in accordance with the plans and specifications for the Project and the Corporation has failed to execute and deliver the certificate provided for in the Agreement within thirty (30) days after such notice is given. The moneys, if any, remaining in the Construction Fund after a Project has been deemed to be complete shall be paid as provided in the Resolution.

*(Section 6)*

#### **Amendment of a Project; Cost Increases; Additional Financing**

A Project may be amended by the Corporation with the prior written consent of an Authorized Officer of the Authority 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, improving, or otherwise providing, furnishing and equipping of a Project which the Authority is authorized to undertake.

The Corporation shall provide such moneys as in the reasonable judgment of an Authorized Officer of the Authority may be required for the cost of completing a Project in excess of the moneys in the Construction Fund established for such Project by the Corporation, whether such moneys are required as a result of an increase in the scope of such Project or otherwise. Such moneys shall be paid to the Trustee for deposit in the applicable Construction Fund within fifteen (15) days of receipt of notice from the Authority that such moneys are required.

The Authority, upon the request of the Corporation, may, but shall not be required to, issue notes or bonds to provide moneys required for the cost of completing a Project in excess of the moneys in the applicable Construction Fund or issue Refunding Bonds. Nothing contained in the Agreement or in the Resolution shall be construed as creating any obligation upon the Authority to issue notes or bonds for such purposes, it being the intent of the Agreement to reserve to the Authority full and complete discretion to decline to issue such notes or bonds. The proceeds of any notes or bonds shall be deposited and applied as specified in the resolution authorizing such notes or bonds.

*(Section 7)*

**Financial Obligations of the Corporation; General and Unconditional Obligation; Voluntary Payments**

Except to the extent that moneys are available therefor under the Resolution or under the Agreement, including moneys in the Debt Service Fund and interest accrued but unpaid on investments held in the Debt Service Fund, but excluding moneys from the Debt Service Reserve Fund or the Building and Equipment Reserve Fund, the Corporation unconditionally agrees to pay as fixed rent for the Leased Property and in consideration for the loan made by the Authority to the Corporation under the Agreement, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Series 2004 Bonds, \$75,000 to be applied as a credit against payment of the Authority Fee estimated to be such amount; (ii) on or before the date of delivery of the Series 2007 Bonds, \$75,000 to be applied as a credit against payment of the Authority Fee estimated to be such amount; and (iii) on or before the date of delivery of the Series 2021 Bonds, \$125,000 to be applied as a credit against payment of the Authority Fee estimated to be such amount;

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

(c) On the twentieth (20th) day of each calendar month commencing on the twentieth (20th) day of the month immediately preceding the date on which such interest becomes due, the sum of (i) interest coming due on Variable Interest Rate Bonds on or prior to the twentieth day of the next succeeding calendar month, assuming that such Variable Interest Rate Bonds bear interest from the date of such deposit until the interest payment date at a rate per annum equal to the rate per annum for such Bonds on the immediately preceding Business Day, plus one percent per annum, and (ii) the principal and Sinking Fund Installments of Option Bonds and Variable Interest Rate Bonds payable on or prior to the twentieth day of the next succeeding calendar month;

(d) On December 10 immediately preceding the January 1, and on June 10 immediately preceding the July 1, on which interest becomes due on all Bonds, other than Option Bonds and Variable Interest Rate Bonds, the interest coming due on such January 1 or July 1 interest payment date for such Bonds;

(e) On December 10 immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, other than Option Bonds and Variable Rate Bonds, one half of the principal and Sinking Fund Installments on the Bonds coming due on such July 1;

(f) On June 10 immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, other than Option Bonds or Variable Interest Rate Bonds, the balance of the principal and Sinking Installments on the Bonds coming due on such July 1;

(g) At least forty-five (45) days with respect to Bonds other than Option Bonds and Variable Interest Rate Bonds and fifteen (15) days with respect to Option Bonds and Variable Interest Rate Bonds prior to any date on which the Redemption Price or purchase price in lieu of redemption 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 in lieu of redemption of such Bonds;

(h) On the date of delivery of Bonds of a Series, for deposit in the Building and Equipment Reserve Fund, an amount equal to the Building and Equipment Reserve Fund Requirement, if any. Payments required to be made pursuant to this paragraph may be made by delivery to the Trustee for deposit in the Building and Equipment Reserve Fund of Securities valued, as of a date not more than five (5) days prior to the delivery thereof, in accordance with the Resolution at not less than the payment then to be made;

(i) On December 10 and June 10 in each Bond Year after the Bond Year in which a Series of Bonds are issued, an amount equal to one half (1/2) of the Annual Administrative Fee with respect to such Bonds;

(j) Promptly after notice from the Authority, but in any event not later than five (5) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made pursuant to the Agreement and any expenses or liabilities incurred by the Authority pursuant to the Agreement, (iii) to reimburse the Authority for any external costs or expenses attributable to the issuance of Bonds of a Series or the financing or construction of a Project, (iv) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Agreement, the Agreement of Lease, the Operating Agreement, any Mortgage and the Resolution in accordance with the terms thereof, and (v) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorney fees in connection with performance of their duties under the Resolution;

(k) Promptly upon demand by an Authorized Officer of the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Corporation as a result of an acceleration pursuant to the Agreement;

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

(m) On the Business Day immediately preceding an interest payment date, if the amount on deposit in the Debt Service Fund is less than the amounts required for the payment of principal or Sinking Fund Installments of, or interest on, Bonds due and payable on such interest payment date, the amount of such deficiency.

Subject to the provisions of the Agreement and of the Resolution, the Corporation shall receive a credit against certain amounts required to be paid by the Corporation during a Bond Year pursuant the paragraphs (c), (e) or (f) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to the Bonds to be redeemed through any Sinking Fund Installments on the next succeeding July 1, the Corporation delivers to the Trustee for cancellation one or more Bonds of the maturity to be so redeemed on such July 1. The amount of the credit shall be equal to the principal amount of the Bonds so delivered and cancelled.

The Authority directs the Corporation, and the Corporation covenants and agrees, to make certain payments required by paragraphs (c), (d), (e), (f), (g), (k), (l) and (m) above directly to the Trustee for deposit and application in accordance with the Resolution, the payments required by paragraph (b) above directly to the Trustee for deposit in a Construction Fund or other fund established under the Resolution, as directed by an Authorized Officer of the Authority and the payments required by paragraphs (a), (i) and (j) above directly to the Authority.

Notwithstanding any provisions in the Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph), all moneys paid by the Corporation to the Trustee pursuant to the Agreement or otherwise held by the Trustee shall be applied in reduction of the Corporation's indebtedness to the Authority under the 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 Corporation to make payments or cause the same to be made under the Agreement shall be complete 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 Corporation may otherwise have against the Authority, the Trustee or any Holder of the Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Corporation or the Authority to complete a Project or the completion thereof with defects, failure of the Corporation to occupy or use a Project, any declaration or finding that 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 Agreement shall be construed to release the Authority from the performance of any agreements on its part contained in the Agreement or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Corporation may institute such action as it may deem necessary to compel performance or recover its damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Agreement beyond the extent of moneys in the Construction Fund available therefor.

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

An Authorized Officer of the Authority, for the convenience of the Corporation, shall furnish to the Corporation statements of the due date, purpose and amount of payments to be made pursuant to the Agreement. The failure to furnish such statements shall not excuse nonpayment of the amounts payable under the Agreement at the time and in the manner provided hereby. The Corporation shall notify the Authority as to the amount and date of each payment made to the Trustee by the Corporation.

The Authority shall have the right in its sole discretion to make on behalf of the Corporation any payment required pursuant to the provisions under this heading "Financial Obligations of the Corporation; General and Unconditional Obligation; Voluntary Payments" which has not been made by the Corporation when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under the Agreement arising out of the Corporation'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 Corporation to make such payment.

The Corporation, if it is not then in default under the Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of an Authorized Officer of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Corporation or upon any deposit in the Debt Service Fund made pursuant to the 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 Series of 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 Agreement and under the Resolution (with respect to such Bonds), 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 Corporation, 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.

As soon as practicable after a Project is deemed complete, the Authority shall determine, and notify the Corporation of, the actual Authority Fee (including, upon request of the Corporation, the components thereof in reasonable detail) incurred by the Corporation in connection with such Project to the date of such notice. The balance, if any, of such Authority Fee then unpaid, to the extent not paid from the Construction Fund, shall be paid by the Corporation pursuant to paragraph (h) above. If upon such determination the actual amount of the Authority Fee incurred by the Corporation in connection with such Project to the date of such notice is less than the amount theretofore paid, the Authority shall refund to the Corporation the amount paid in excess of such actual amount.

The Corporation covenants that, except for Permitted Encumbrances, it shall not transfer, sell or convey any interest in a Project or any Mortgaged Property without the prior approval of an Authorized Officer of the Authority or, in the event a Mortgage has been assigned to the Trustee, without the prior approval of the Trustee. However, if any portion of a Project or any Mortgaged Property or any interest therein is disposed of while Bonds are Outstanding, the Corporation shall, absent a prior written agreement with the Authority as to the replacement of the Project or any Mortgaged Property, pay the net proceeds of any such disposition to the Trustee for deposit in the Debt Service Fund. Notwithstanding the foregoing, the Corporation may remove equipment, furniture or fixtures in a Project provided that the Corporation 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.

The Corporation shall make all payments required under the Agreement, including the fixed net rent, in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment.

The Agreement shall be deemed and construed to be a “net lease” with respect to the Leased Property. The Corporation shall pay to the Authority free of any charges, occupancy or use taxes, personal property taxes, excise taxes, assessments, impositions or deductions of any kind and without any abatement, counterclaims, deduction or set-off, (i) absolutely net throughout the term of the Agreement, the rent and the other payments under the Agreement with respect to the Leased Property, and (ii) any other payments under the Agreement with respect to a Project or any Mortgaged Property. Under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall the Authority be expected or required to make any payment of any kind whatsoever or be under any other obligation or liability under the Agreement except as otherwise expressly set forth in the Agreement.

*(Section 10)*

### **Reserve Funds**

At or before the delivery by the Authority of Bonds of a Series and as a condition precedent to the Authority’s obligation to deliver Bonds of a Series, the Corporation agrees to deliver to the Trustee for deposit in the Debt Service Reserve Fund, moneys, Government Obligations or Exempt Obligations, the value of which is at least equal to the Debt Service Reserve Fund Requirement. The Corporation agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Debt Service Reserve Fund Requirement; provided that the Corporation shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in such fund as a result of a deficiency therein only upon receipt of the notice of such deficiency required by the Resolution.

Notwithstanding the foregoing, the Corporation may deliver to the Trustee for deposit to the Debt Service Reserve Fund, letters of credit, surety bonds, or insurance policies for all or any part of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution.

If the Corporation pursuant to the Agreement, has deposited Securities in the Building and Equipment Reserve Fund, the Corporation shall at all times maintain on deposit therein Securities the value of which is not less than the Building and Equipment Reserve Fund Requirement; provided that the Corporation shall be required to deliver additional Securities to the Trustee for deposit in the Building and Equipment Reserve Fund as a result of a deficiency therein only upon receipt of a notice thereof given pursuant to the Resolution. Deposits, withdrawals and substitutions of Securities in the Building and Equipment Reserve Fund shall be made in accordance herewith and with the Resolution.

The delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities from time to time made by the Corporation to the Trustee pursuant to the Agreement shall constitute a pledge of and shall create a security interest therein for the benefit of the Authority to secure performance of the Corporation’s obligations under the Agreement and under any Mortgage and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The Corporation authorizes the Authority pursuant to the Resolution to pledge such Government Obligations, Exempt Obligations or other Securities 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 reasonable 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 Agreement and of the Resolution.

All Government Obligations, Exempt Obligations or other Securities deposited with the Trustee pursuant to the Agreement for deposit to the Debt Service Reserve Fund or the Building and Equipment Reserve Fund shall be fully negotiable (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 Government Obligations, Exempt Obligations or other Securities in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all Government Obligations, Exempt Obligations or other Securities shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in

its fiduciary capacity) or its nominee. The Corporation appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

The Corporation agrees that upon each delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities, whether initially or upon later delivery or substitution, the Corporation shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the Corporation to the effect that the Corporation warrants and represents that the Government Obligations, Exempt Obligations or other Securities delivered by the Corporation (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 of such Government Obligations, Exempt Obligations or other Securities as contemplated by the Agreement or the Resolution and (ii) are pledged under the Agreement pursuant to appropriate corporate action of the Corporation duly had and taken.

If the Corporation is not in default under the terms of the Agreement, any amount in the Building and Equipment Reserve Fund may be applied to defray costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating or improving a Project, but only in accordance with the Resolution and on terms and conditions approved by an Authorized Officer of the Authority. In the event of a withdrawal from the Building and Equipment Reserve Fund pursuant to the Resolution, the Corporation shall, within five (5) days after receipt of notice from the Trustee of such withdrawal, pay the amount of such withdrawal to the Trustee for deposit in the Building and Equipment Reserve Fund. In the event of a withdrawal from the Building and Equipment Reserve Fund other than pursuant to the Resolution, the Corporation shall pay one-sixth (1/6) of the amount of such withdrawal to the Trustee for deposit in the Building and Equipment Reserve Fund on the tenth (10th) day of each June and December commencing on the first such date immediately following such withdrawal until such withdrawal has been repaid or until the amount on deposit in the Building and Equipment Reserve Fund equals the Building and Equipment Reserve Fund Requirement. Such payments may be made by delivering to the Trustee for deposit in the Building and Equipment Reserve Fund Securities valued as of a date not more than five (5) days prior to the delivery thereof in accordance with the Resolution at not less than the amount of the payment then to be made.

Prior to the initial delivery of Government Obligations, Exempt Obligations or other Securities to the Trustee pursuant to the Agreement, and upon any later delivery or substitution (provided, however, for purposes of this subdivision, substitution shall not be deemed to include open market transactions for Securities within the Building and Equipment Reserve Fund), the Corporation will, at its cost and expense, provide to the Authority and the Trustee a written opinion of counsel satisfactory to an Authorized Officer of the Authority to the effect that the Corporation has all requisite corporate power and authority to pledge and deliver to the Trustee as security such Government Obligations, Exempt Obligations or other Securities for deposit in accordance herewith, such Government Obligations, Exempt Obligations or other Securities have been duly and legally delivered by the Corporation to the Trustee, such delivery constitutes a valid and binding pledge thereof in accordance with the terms of the Agreement and the Resolution and will perfect the security interest created in favor of the Trustee and the Authority under the Agreement in all of the Corporation's right, title and interest in such Government Obligations, Exempt Obligations or other Securities (provided, however, that no opinion need be expressed as to the authorization, issuance, or validity or assessability of any such Government Obligations, Exempt Obligations or other Securities), and, based upon inquiries of appropriate officers and other representatives of the Corporation, nothing has come to the attention of such counsel which would lead it to believe that the Government Obligations, Exempt Obligations or other Securities delivered by the Corporation are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restrictions, any of which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Agreement or by the Resolution. In lieu of providing a written opinion of counsel to the Corporation as required by the Agreement after every substitution of Government Obligations, Exempt Obligations or other Securities in the Building and Equipment Reserve Fund, the Corporation 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 Corporation to the effect that all Government Obligations, Exempt Obligations or other Securities deposited into any fund or account established under the Resolution, to and including the date of such opinion of counsel, comply with the requirements of this paragraph.

*(Section 11)*

### **Security Interest in Pledged Revenues**

As security for the payment of all liabilities, and the performance of all obligations, of the Corporation under the Agreement, the Corporation does continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the Corporation's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues, and of such right.

The Corporation represents and warrants that no part of the Pledged Revenues, the 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 are legally available to provide security for the Corporation's performance under the Agreement. The Corporation agrees that it shall not hereafter create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge, assignment and security interest made or granted by the Agreement.

The Corporation further agrees that the Pledged Revenues (i) shall be stated separately in billing or shall be allocated as such by the Corporation from the aggregate fees and charges imposed on students, (ii) shall be separately identified on the records of the Corporation, and (iii) shall be accounted for separate and apart from any other fees or charges imposed by the Corporation.

*(Section 12)*

### **Collection of Pledged Revenues**

Subject to the provisions of the Agreement, commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Corporation shall deliver to the Trustee for deposit in accordance with the Resolution all Pledged Revenues within ten (10) days following the Corporation's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the sum of (i) the interest coming due on or prior to the earlier of the next succeeding January 1 or July 1, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, and (iii) the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased, and accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the Agreement, the Authority notifies the Corporation 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 Agreement, but the Corporation shall continue to deliver to the Trustee for deposit in accordance with the Resolution any payments received by the Corporation with respect to the Pledged Revenues.

Notwithstanding anything to the contrary in the Agreement, in the event that, on or prior to the date on which a payment is to be made pursuant to the Agreement on account of the principal, Sinking Fund Installments or Redemption Price or interest on Outstanding Bonds or to maintain the Debt Service Reserve Fund or the Building and Equipment Reserve Fund at their respective requirements, the Corporation has made such payment from its general funds or from any other money legally available to it for such purpose, the Corporation shall not be required solely by virtue of the above paragraph, to deliver Pledged Revenues to the Trustee.

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

### **The Mortgage and Assignment of Operating Agreement; Lien on Fixtures, Furnishings and Equipment**

As security for the payment of all liabilities, and the performance of all obligations of the Corporation under the Agreement, the Corporation grants a security interest and assigns as collateral all of the Corporation's right under the Operating Agreement and all security interests granted by FIT to the Corporation under the Operating Agreement.

At or before the delivery by the Authority of the Series 2007 Bonds, the Corporation shall execute and deliver to the Authority (A) a Mortgage or Mortgages in recordable form mortgaging (i) the Corporation's fee interest in and to the land commonly known as 406 West 31st Street, in the City, County and State of New York, and the buildings and improvements thereon and the fixtures, furnishings and equipment owned by the Corporation and then or thereafter located therein or thereon, and (ii) the leasehold estate of the Corporation in and to the Leased Property granted to the Corporation in the Agreement; and (B) an assignment or other similar instrument, acceptable to an Authorized Officer of the Authority, assigning all of the Corporation's rights under the Operating Agreement and all security interests granted by FIT to the Corporation under the Operating Agreement to the Authority. At or before the delivery by the Authority of the Series 2021 Bonds, the Corporation shall execute and deliver to the Authority (A) a Mortgage or Mortgages in recordable form mortgaging (i) the Corporation's fee interest in and to the land commonly known as 406 West 31st Street, in the City, County and State of New York, and the buildings and improvements thereon and the fixtures, furnishings and equipment owned by the Corporation and then or thereafter located therein or thereon, and (ii) the leasehold estate of the Corporation in and to the Leased Property granted to the Corporation in the Agreement; and (B) an assignment or other similar instrument, acceptable to an Authorized Officer of the Authority, assigning all of the Corporation's rights under the Operating Agreement and all security interests granted by FIT to the Corporation under the Operating Agreement to the Authority.

Prior to any assignment of a Mortgage to the Trustee, with the prior consent of the Authority but without the consent of the Trustee or the Holders of a Series of Bonds, such Mortgage and the security interest in any fixtures, furnishings or equipment located in or on or used in connection with the Mortgaged Property, may be amended, modified, terminated or satisfied and the property subject to such Mortgage and such security interest may be released from the lien thereof or other property may be substituted for all or part of the property subject to such Mortgage or such security interest, upon such terms and conditions as the Authority may require, provided, however, the building located at 406 West 31st Street, in the City, County and State of New York, shall not be released from the lien of the Mortgage covering said property unless (i) the Corporation substitutes therefor as part of the Mortgaged Property other real property acceptable to the Authority or grants to the Authority a security interest in and delivers to the Authority Government Obligations, Exempt Obligations or other Securities, and the fair market value of such real property or Government Obligations, Exempt Obligations or other Securities is at the time of such release at least equal to the fair market value of the property released from the lien of the Mortgage, (ii) the Corporation provides the Authority with such information or other evidence of the fair market value of such real property or Government Obligations, Exempt Obligations or other Securities as may be reasonably required by the Authority, and (iii) all certificates of occupancy required in connection with the use and occupancy of the substituted real property shall have been issued.

*(Section 14)*

#### **Use of a Project and Mortgaged Property**

Except as expressly permitted under the Agreement, the Corporation agrees that, unless in the opinion of Bond Counsel the use or occupancy of a Project other than as required by the Agreement would not adversely affect the exclusion of interest on the Bonds from federal income taxes pursuant to Section 103 of the Code, or is not prohibited by or inconsistent with the provisions of law or the Resolution, such project shall be occupied or used primarily by or for students, members of the faculty or members of the staff of the Corporation and FIT, or, on a temporary basis, by persons connected with educational, research or other activities incidental to the operations of FIT, subject to and consistent with the requirements of the Agreement and the Tax Certificate.

Except as expressly permitted under the Operating Agreement and the Agreement, and subject to the rights, duties and remedies of the Authority under the Agreement, the Corporation shall have sole and exclusive control of, possession of and responsibility for (i) any Project and any Mortgaged Property; (ii) the operation of such Project and any Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of such Project and any Mortgaged Property.

The Corporation shall adopt or cause to be adopted and enforce or cause to be enforced reasonable regulations for the care of a Project and any Mortgaged Property and the conduct of users thereof to effectuate the provisions of the Agreement.

The Corporation shall not use or occupy or permit a Project or any Mortgaged Property to be used or occupied nor do or permit anything to be done in or to a Project or any Mortgaged Property, in whole or in part, in a manner which would in any way violate any certificate of occupancy affecting a Project or any Mortgaged Property, or make void or voidable any insurance then in force with respect thereto, or which may make it impossible to obtain fire or other insurance thereon required to be furnished by the Corporation under the Agreement, or which will cause structural injury to a Project or any Mortgaged Property or any part thereof, or which will constitute a public or private nuisance, and shall not use or occupy or permit a Project or any Mortgaged Property to be used or occupied, in whole or in part, in a manner which may violate any present or future, ordinary or extraordinary, foreseen or unforeseen laws, regulations, ordinances or requirements of the federal, state or municipal governments, or of any departments, subdivisions, bureaus or offices thereof, or of any other governmental, public or quasi-public authorities now existing or hereafter created, having jurisdiction of a Project or any Mortgaged Property. The Corporation, to the extent permitted by law, indemnifies, agrees to defend and holds the Authority harmless from and against any damage, loss, cost or expense (including but not limited to reasonable attorneys' fees) which the Authority may incur as a result of the Corporation's breach of the provisions of the Agreement, or by reason of any actions or proceedings which may be brought against the Authority or against a Project or any Mortgaged Property, or any part thereof, by virtue of any such laws, regulations, ordinances or requirements or by virtue of any present or future law of the United States of America, the State of New York or The City of New York, or other municipal, public or quasi-public authority now existing or hereafter created, having jurisdiction of a Project or any Mortgaged Property.

The Corporation has leased the Leased Property after a full and complete examination thereof, as well as the title thereto and knowledge of its present uses and non-uses. The Corporation accepts the same in their present condition and state without any representation or warranty, express or implied in fact or by law, by the Authority, without recourse to the Authority, as to the title thereto, the nature, condition or usability thereof or the use or uses to which the Leased Property or any part thereof may be put. The Authority shall not be required to furnish any services, utilities, or facilities or to make any repairs or alterations in or to the Leased Property, whether ordinary or extraordinary, throughout the Term of the Agreement, the Corporation assuming the full and sole responsibility for the condition, construction, operation, repair, maintenance or management of the Leased Property.

*(Section 21)*

### **Maintenance, Repair and Replacement**

The Corporation agrees that, throughout the Term of the Agreement, it shall, at its own expense, hold, operate and maintain the Projects and the Mortgaged Property in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Projects and the Mortgaged Property may be properly and advantageously conducted. When used under this heading "Maintenance, Repair and Replacement", the term "repairs" shall include replacements, additions or renewals, when necessary, and all such repairs shall be at least equal in quality and class to the original work or property, as the case may be, and shall be of such character as is appropriate for buildings of the construction, age and class of the buildings then on the Projects and the Mortgaged Property. The Corporation shall not do or permit or suffer any waste. All water, sewer, electric, phone and other utilities in and to the Projects and any Mortgaged Property shall be procured and/or maintained by the Corporation, as aforesaid.

The Corporation shall not make any material change or alteration of a structural nature in or to a Project and any Mortgaged Property without the prior written consent of an Authorized Officer of the Authority.

In addition, the Corporation shall not make any nonstructural change, alteration or improvement in or on a Project or any Mortgaged Property involving a cost of more than \$75,000 (as estimated by an architect approved by an Authorized Officer of the Authority, selected and retained by the Corporation at its own expense) without first obtaining the written consent of an Authorized Officer of the Authority thereto in each case. The written consent of an Authorized Officer of the Authority, if given, shall be for that instance alone, and such consent shall be required for each and every further change, alteration or improvement.

Where the Authority's written consent has been obtained, no change, alteration or improvement shall be made until detailed plans and specifications and the cost estimate therefor (prepared by the architect approved by an Authorized Officer of the Authority, selected and retained by the Corporation) shall have been delivered to and

approved in writing by an Authorized Officer of the Authority. Such approval shall be deemed to have been given if reasonably detailed disapproval has not been delivered to the Corporation within thirty (30) days after receipt by the Authority of the plans and specifications. As a condition to giving its consent to the making of any non-structural change, alteration or improvement by the Corporation involving a cost of more than \$75,000, the Authority may, among other things, require that the Corporation furnish the Authority with a surety company bond or other security reasonably satisfactory to an Authorized Officer of the Authority, in an amount at least equal to the estimated cost of such change, alteration or improvement, guaranteeing the completion and payment of the cost thereof free and clear of all liens, conditional bills of sale, chattel mortgages and title retention documents. The form and content of such surety company bond and the identity of the company issuing such bond shall be reasonably satisfactory to an Authorized Officer of the Authority. The Corporation shall have the right to remove or replace any type of fixtures, furnishings and equipment in a Project or any Mortgaged Property which may have been financed by the proceeds of the sale of Bonds provided the Corporation substitutes for any removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced.

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

The Authority shall have the right to enter upon, inspect and examine a Project or any Mortgaged Property at any time during reasonable hours with reasonable notice in advance.

*(Section 23)*

#### **Covenant as to Insurance**

The Corporation, at its sole cost and expense, shall procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily maintained by institutions similar to the Corporation.

In the event the Corporation fails to provide, or fails to cause to be provided, the required insurance, the Authority may elect at any time thereafter to procure and maintain the required insurance at the expense of the Corporation.

*(Section 24)*

#### **Damage or Condemnation**

In the event of a taking of a Project or any Mortgaged Property or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of such Project or any Mortgaged Property, then and in such event the entire proceeds of any insurance, condemnation or eminent domain award shall be paid upon receipt thereof by the Corporation or the Authority to the Trustee for deposit in the Construction Fund, and

(a) if within 120 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Corporation has decided that the Project, any Mortgaged Property or the affected portion thereof shall be repaired or restored, the Corporation shall proceed to repair or restore the Project, any Mortgaged Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Corporation and approved in writing by an Authorized Officer of the Authority. The funds required for such repair or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as the Authority may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and to the extent such proceeds are not sufficient, from the Building and Equipment Reserve Fund or funds to be provided by the Corporation; or

(b) if within the 120 day period set forth in (a) above, the Corporation has not decided to repair or restore the Project, any Mortgaged Property or the affected portion thereof or if no agreement for replacement of the

Project, any Mortgaged Property or the affected portion thereof shall be reached by the Authority and the Corporation within such 120 day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution) shall be delivered to the Trustee for deposit to the Debt Service Fund for application at the direction of the Authority.

*(Section 25)*

### **Defaults and Remedies**

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

(a) the Corporation shall default in the timely payment of any amount payable pursuant to the Agreement or in the delivery of Securities or the payment of any other amounts required to be delivered or paid in accordance with the Agreement or with the Resolution, and such default continues for a period in excess of seven (7) days;

(b) the Corporation defaults in the due and punctual performance of any other covenant in the Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given by the Authority or the Trustee;

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

(d) an Event of Default under the Agreement of Lease or the Operating Agreement has occurred and is continuing or the Agreement of Lease or the Operating Agreement has been declared to be invalid, void, voidable or unenforceable in any material respect;

(e) the Corporation shall be in default under any Mortgage and such default continues beyond any applicable grace period;

(f) the Corporation shall be generally not paying its debts as they become due, 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, make a general assignment for the benefit of its general creditors, 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, be adjudicated insolvent or be liquidated or take corporate action for the purpose of any of the foregoing;

(g) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Corporation, 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 Corporation, or any petition for any such relief shall be filed against the Corporation and such petition shall not be dismissed within ninety (90) days;

(h) the charter of the Corporation shall be suspended or revoked;

(i) a petition to dissolve the Corporation shall be filed by the Corporation with the legislature of the State of New York or other governmental authority having jurisdiction over the Corporation;



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

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

(l) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Corporation, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(m) a final judgment for the payment of money which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against the Corporation and at any time after thirty (30) days from the entry thereof, (i) such judgment shall not have been discharged, or (ii) the Corporation 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 thirty (30) 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.

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

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

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

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

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

(e) direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund and the Building and Equipment 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 Installment, if any, or redemption price of and interest on the Bonds, or any other obligation or liability of the Corporation or the Authority arising from the Agreement or from the Resolution;

(f) at any time discontinue any work commenced in respect of the construction of a Project or change any course of action undertaken by it or by the Corporation and not be bound by any limitations or requirements of time whether set forth in the Agreement or otherwise;

(g) terminate the Agreement on five (5) days' notice to the Corporation and, upon the expiration of such five (5) day period, the Corporation shall quit, vacate and surrender the Leased Property to the Authority, the Agreement and the term and estate granted by the Agreement shall expire and terminate as fully and completely and with the same force and effect as if the day so specified were the date fixed by the Agreement for the expiration of the Term of the Agreement and all rights of the Corporation under the Agreement shall expire and terminate, but the Corporation shall remain liable for damages as provided in the Agreement;

(h) realize upon any security interest which the Authority may then have in the pledge and assignment of the Pledged Revenues and the rights to receive the same, all to the extent provided in the Agreement and to the extent permitted by applicable law, by any one or more of the following actions: enter the Corporation and examine and make copies of the financial books and records 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 Corporation representing Pledged Revenues or proceeds thereof; 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 the amount to be so paid; provided, however, that the Authority may, in its discretion, immediately collect the entire amount of interest, principal or Sinking Fund Installments, if any, coming due with respect to Outstanding Bonds on or prior to the next interest payment date thereof, and may continue to do so commencing on each interest payment date of Outstanding Bonds, to the extent of amounts due on such Bonds on the next interest payment date thereof, with respect to the Pledged Revenues, until such amounts are fully collected; provided, however, the written notice of such notification shall be mailed to the Corporation five (5) days prior to mailing or otherwise making such notification to account debtors, and provided further that until the Corporation shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; 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 Corporation's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Corporation whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority or the Trustee as the Authority may direct; require the Corporation 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 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 that the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Corporation under the Agreement including the fees and expenses of the Authority, and provided further that the Authority in its sole discretion may authorize the Corporation to make withdrawals from such fund or account for its corporate purposes, and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Corporation when all Events of Default under the Agreement by the Corporation have been cured; forbid the Corporation 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; endorse in the name of the Corporation any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

(i) take any action necessary to enable the Authority to realize on its liens under the Agreement or under any Mortgage, or provided by law, including foreclosure of any Mortgage, and any other action or proceeding permitted by the terms of the Agreement or of any Mortgage or by law;

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

(k) take or refrain from taking such action under the Agreement as the Authority may from time to time determine.

3. If the Agreement terminates as provided under this heading "Defaults and Remedies" or by summary proceedings or otherwise, the Authority may (but shall not be obligated to):

(a) re-enter and resume possession of the Leased Property and (except as provided in the Agreement) remove all persons and property therefrom either by summary proceedings or by a suitable action or proceeding, at law or in equity, or by force or otherwise, without being liable for any damage therefor, and may have, hold and enjoy the Leased Property and the right to receive all rental and other income of and from the Leased Property; and

(b) relet the whole or any part of the Leased Property, for the account of the Authority or otherwise, for a period equal to, greater or less than the remainder of the Term of the Agreement, at such rental and upon such terms and conditions as the Authority shall deem reasonable, to any tenant if it may deem suitable and for any use and purpose it may deem appropriate. The Authority shall not be liable in any respect for failure to relet the Leased Property or, in the event of such reletting, for failure to collect the rent thereunder and any sums received by the Authority on a reletting.

4. If the Agreement terminates as provided under this heading "Defaults and Remedies" or by summary proceedings or otherwise, the Authority shall be entitled to recover from the Corporation as damages:

(a) (i) an amount equal to all expenses incurred by the Authority in recovering possession of the Leased Property and in connection with the reletting of the Leased Property, including the cost of repairing, renovating, or remodeling the Leased Property and any broker's commissions incurred by the Authority in reletting the Leased Property, which amounts shall be due and payable by the Corporation to the Authority at such time or times as they shall have been incurred; and (ii) an amount equal to the fixed net rent and other payments required under the Agreement less the net rent collected by the Authority on reletting the Leased Property, and less the amount collected by the Authority from tenants occupying space at the Leased Property, which amount shall be due and payable on the several days on which such fixed net rent other payments required under the Agreement would have become due and payable had the Agreement not terminated; or

(b) at the Authority's election, in lieu of the amounts which may be recovered under the provisions of paragraph (a) above, the amount determined by the Authority to be necessary to be deposited with the Trustee in order for the Outstanding Bonds to be deemed to have been paid in accordance with the provisions of the Resolution, plus the amount determined by the Authority to be then owed by the Corporation to the Authority for any fees and expenses of the Authority and pursuant to any indemnity under the Agreement; and

(c) in addition to the amounts which may be recovered under paragraph (a) or (b) above, an amount equal to the cost (i) of performing any work required to be done by the Corporation under the Agreement, and all damages resulting from the Corporation's default in performing such work and (ii) of placing the Leased Property in the same condition as that in which the Corporation is required to surrender it to the Authority under the Agreement.

5. (a) Nothing contained in the Agreement shall be construed as limiting or precluding the Authority's recovery against the Corporation of any damages to which the Authority may lawfully be entitled in any case other than those particularly provided for above. Nothing contained in the Agreement shall limit or restrict the Authority's rights or remedies under any Mortgage.

(b) The Corporation consents that the Authority shall be entitled to institute separate suits or actions or proceedings for the recovery of any amount or amounts recoverable under the Agreement or otherwise and that nothing contained in the Agreement shall be deemed to require the Authority to postpone suit until the date when the Term of the Agreement would have expired if it had not been terminated under the provisions of the Agreement or under any provisions of law or had the Authority not re-entered the Leased Property, and the Corporation waives the right to enforce or assert the rule against splitting a cause of action as a defense thereto.

(c) The Corporation, for itself and for all persons claiming through or under it (including creditors of all kinds), waives and surrenders any and all rights which are or may be conferred upon the Corporation by any present or future law to redeem the Leased Property or to have a continuance for the term demised by the

Agreement after a warrant to dispose shall have been executed or after judgment in an action of ejectment shall have been made and entered.

(d) The words “re-enter” and “re-entry”, as used under this heading “Defaults and Remedies”, are not restricted to their technical legal meaning.

(e) The Corporation hereby waives the service of any notice in writing by the Authority of its intention to re-enter the Leased Property, except as otherwise expressly provided in the Agreement.

(f) Notwithstanding such re-entry by the Authority, the Corporation agrees that any utility services theretofore furnished by the Corporation to the Leased Property shall continue to be furnished by the Corporation to the Leased Property at the sole cost of the Corporation until the events that would have terminated the Agreement and the term of the Agreement occur had there been no default under the Agreement.

(g) Notwithstanding any other provisions of the Agreement to the contrary, if the Leased Property or any part thereof is subject to or occupied by any entity other than the Corporation, in the event of the Corporation’s default under the Agreement, the Authority may and is empowered (but is not obligated) by the Agreement, at any time from and after the date the Authority is entitled to serve a lease termination notice upon the Corporation to (i) collect amounts due under the Operating Agreement directly so long as such default or any other default under the Agreement shall continue, (ii) apply such amounts to the curing of any default under the Agreement in any order or priority the Authority may elect and (iii) apply any unexpected balance of such collected amounts against any rental obligations subsequently becoming due under the Agreement.

(h) Upon re-entering the Leased Property the Authority shall, as soon as practicable, inspect the Leased Property and check any inventories of fixtures, furniture equipment and effects in the Leased Property. The Corporation shall pay to the Authority upon receipt of properly executed vouchers therefor all sums owing to the Authority by the Corporation.

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

7. 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 Agreement, the Authority may annul any declaration made or action taken pursuant to the Agreement and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

*(Section 31)*

**Arbitrage**

The provisions of below shall apply only to Bonds the interest on which is excluded from gross income under Section 103 of the Code. The Corporation covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Corporation covenants that it will comply with the instructions and requirements of the Tax Certificate, which is incorporated in the Agreement as if set forth fully in the Agreement. The Corporation (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of any obligation to be acquired from the Corporation by the Authority. The Corporation will, on a timely basis, provide the Authority with all necessary information and, with respect to the Corporation’s Rebate Requirement or Yield Adjustment Payment (as defined in the Tax Certificate and Agreement) required to be paid, funds not in the Authority’s possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution.

*(Section 36)*

**SUMMARY OF CERTAIN PROVISIONS  
OF THE OPERATING AGREEMENT**

**[THIS PAGE INTENTIONALLY BLANK]**

## **SUMMARY OF CERTAIN PROVISIONS OF THE OPERATING AGREEMENT**

The following is a summary of certain provisions of the Operating Agreement. This summary does not purport to be complete and reference is made to the Operating Agreement for full and complete statement of each of its provisions. Except as noted, defined terms used in this Appendix have the meanings ascribed to them in Appendix B. Unless otherwise indicated, references to section numbers refer to sections in the Operating Agreement. In this Appendix E, the term “Bonds” refers to the Outstanding Series 2007 Bonds and Series 2021 Bonds.

### **Termination**

Unless sooner terminated as provided in the Operating Agreement, the Operating Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Agreement by the Corporation shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of FIT to provide reimbursement for expenses, costs or liabilities made or incurred pursuant to the Operating Agreement shall nevertheless survive any such termination. Upon such termination, an Authorized Officer of FIT shall deliver such documents as may be reasonably requested by the Corporation to evidence such termination, the release and cancellation of the Agreement, and the discharge of its duties under the Operating Agreement.

Notwithstanding anything contained in the Operating Agreement, the Operating Agreement is terminable on foreclosure of the Agreement at the option of the Authority or its successors or assigns under the Agreement.

*(Section 30)*

### **Financial Obligations of FIT**

Except to the extent that moneys are available therefor under the Operating Agreement or under the Resolution or the Agreement, including moneys in the Debt Service Fund, but excluding moneys from the Debt Service Reserve Fund or the Building and Equipment Reserve Fund and excluding interest accrued but unpaid on investments held in the Debt Service Fund, FIT unconditionally agrees to pay for the Project, during the Term of the Operating Agreement, to or upon the order of the Corporation, from any moneys legally available to it:

(a) On December 10, 2004, and on each December 10 thereafter, (i) the amount of interest coming due on the Bonds on the next succeeding January 1, (ii) one-half of the amount of the Sinking Fund Installment, if any, coming due on the Bonds on the next succeeding July 1, and (iii) one-half of the principal amount, if any, coming due on the Bonds on the next succeeding July 1;

(b) On June 10, 2005 and on each June 10 thereafter (i) the amount of interest coming due on the Bonds on the next succeeding July 1, and the balance of (ii) the amount of the Sinking Fund Installment, if any, coming due on the Bonds on the next succeeding July 1, and of (iii) the principal amount, if any, coming due on the Bonds on the next succeeding July 1;

(c) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price in lieu of redemption 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 in lieu of redemption of such Bonds;

(d) As may be required by the terms of the Agreement or the Resolution for deposit in the Building and Equipment Reserve Fund, such amount as necessary to make the amount therein equal to the Building and Equipment Reserve Fund Requirement. Payments required to be made pursuant to this paragraph may be made by delivery to the Trustee for deposit in the Building and Equipment Reserve Fund of Securities valued, as of a date not more than five (5) days prior to the delivery thereof, in accordance with the Resolution at not less than the payment then to be made;

(e) On December 10 and June 10 in each Bond Year after the Bond Year in which the Bonds are issued, an amount equal to one half (1/2) of the Annual Administrative Fee with respect to the Bonds;

(f) Promptly after notice from the Authority, but in any event not later than five (5) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for certain payments made pursuant to the Agreement and any expenses or liabilities incurred by the Authority pursuant to the Agreement, (iii) to reimburse the Authority for any external costs or expenses attributable to the issuance of the Bonds or the financing or construction of the Project, (iv) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Agreement and the Resolution in accordance with the terms thereof, and (v) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorney fees in connection with performance of their duties under the Resolution;

(g) Promptly upon demand by an Authorized Officer of the Corporation, all amounts required to be paid by FIT as a result of an acceleration pursuant to the Operating Agreement;

(h) Promptly upon demand by an Authorized Officer of the Corporation, 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 or otherwise paid to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds; and

(i) On the Business Day immediately preceding an interest payment date, if the amount on deposit in the Debt Service Fund is less than the amounts required for the payment of principal or Sinking Fund Installments of, or interest on, Bonds due and payable on such interest payment date, the amount of such deficiency.

Subject to the provisions of the Operating Agreement and of the Resolution and the Agreement, FIT shall receive a credit against the amounts required to be paid by FIT during a Bond Year pursuant to this paragraph on account of (i) any amounts set aside from capitalized interest for the payment of interest and principal, if any, during construction of the Project and immediately thereafter, and (ii) any rents and room charges received by FIT on behalf of the Corporation. The amount of the credit shall be equal to the aggregate amount of the payments made to the Corporation pursuant to the preceding sentence.

The Corporation directs FIT, and FIT covenants and agrees, to make certain payments required by the Operating Agreement directly to the Trustee for deposit and application in accordance with the Resolution and certain other payments required by the Operating Agreement directly to the Authority.

Notwithstanding any provisions in the Operating Agreement or in the Resolution to the contrary (except as otherwise specifically provided in the Operating Agreement), all moneys paid by FIT to the Trustee pursuant to the Operating Agreement or otherwise held by the Trustee shall be applied in reduction of the Corporation's indebtedness to the Authority under the 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 FIT to make payments or cause the same to be made under the Operating Agreement shall be complete 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 FIT may otherwise have against the Corporation, the Authority, the Trustee or any Holder of the Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Corporation to complete the Project or the completion thereof with defects, failure of the Corporation to occupy or use the Project, any declaration or finding that the Bonds are, or the Resolution or the Agreement is, invalid or unenforceable or any other failure or default by the Corporation, the Authority, or the Trustee; provided, however, that nothing in the Operating Agreement shall be construed to release the Corporation from the performance of any agreements on its part in the Operating Agreement contained or any of its other duties or obligations, and in the event the Corporation shall fail to perform any such agreement, duty or



obligation, FIT may institute such action as it may deem necessary to compel performance or recover its damages for non-performance.

The Operating Agreement and the obligations of FIT to make payments under the Operating Agreement are general obligations of FIT.

An Authorized Officer of the Corporation, for the convenience of FIT, shall furnish to FIT statements of the due date, purpose and amount of payments to be made pursuant to the Operating Agreement. The failure to furnish such statements shall not excuse nonpayment of the amounts payable under the Operating Agreement at the time and in the manner provided by the Operating Agreement. FIT shall notify the Corporation and the Authority as to the amount and date of each payment made to the Trustee by FIT.

The Corporation shall have the right in its sole discretion to make on behalf of FIT any payment required under this heading which has not been made by FIT when due. No such payment by the Corporation shall limit, impair or otherwise affect the rights of the Corporation under the Operating Agreement arising out of FIT's failure to make such payment and no payment by the Corporation shall be construed to be a waiver of any such right or of the obligation of FIT to make such payment.

FIT shall pay its obligations under the Operating Agreement in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment.

The Operating Agreement shall be deemed and construed to be "net" and FIT shall pay to the Corporation, absolutely net throughout the Term of the Operating Agreement, its obligations and other payments under the Operating Agreement, free of any charges, occupancy or use taxes, personal property taxes, excise taxes, assessments, impositions or deductions of any kind and without any abatement, counterclaims, deduction or set-off, and under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall the Corporation be expected or required to make any payment of any kind whatsoever or be under any other obligation or liability under the Operating Agreement except as otherwise expressly set forth in under the Operating Agreement.

*(Section 7)*

### **Room Rents and Charges**

As security for the payment of all liabilities, and the performance of all obligations, of FIT under the Operating Agreement, FIT assigns to the Corporation any and all rents and room charges collected by FIT on behalf of the Corporation and payable by students, faculty and staff of FIT or any other occupant, including any corporation or partnership, for the use and occupancy of the Project, together with FIT's right to receive and collect the same and the proceeds thereof and of such right. At any time after the execution and delivery of the Operating Agreement by FIT, if requested by an Authorized Officer of the Authority, FIT shall deliver to the Corporation, in recordable form, an assignment of rents or other similar instrument evidencing the assignment made by FIT to the Corporation pursuant to the preceding sentence.

If the Corporation becomes obligated under the Agreement to deliver Pledged Revenues to the Trustee, FIT agrees to make such payments to the Trustee; provided, however, that so long as the Corporation is not required to deliver Pledged Revenues to the Trustee as provided under the Agreement, then FIT shall not be obligated to make such payments to the Trustee.

*(Section 8)*

### **Tax-Exempt Status**

FIT agrees that except as specifically authorized by the Operating Agreement, it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business unrelated to the purposes of FIT or the Corporation, which could adversely affect the exclusion of interest on the Bonds from federal income taxes pursuant to Section 103 of the Code. Prior to FIT performing any act, entering into any agreement

or using or permitting the Project to be used for any trade or business unrelated to the purposes of FIT or the Corporation, FIT shall provide written notice to the Corporation and the Authority and shall deliver to the Corporation and the Authority an opinion of counsel satisfactory to the Corporation and the Authority to the effect that such contemplated act, agreement or use will not adversely affect the exclusion of interest on the Bonds from federal income taxes pursuant to Section 103 of the Code.

*(Section 9)*

### **Maintenance of Existence**

To the extent permitted by law, FIT covenants that it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it.

*(Section 10)*

### **Use of the Project**

FIT agrees that, the use and occupancy of the Project shall comply with the provisions of the Agreement.

FIT shall adopt or cause to be adopted and enforce or cause to be enforced reasonable regulations for the care of the Project and the conduct of users thereof to effectuate the provisions of the Operating Agreement.

FIT shall not use or permit the Project to be used or occupied nor do or permit anything to be done in or to the Project, in whole or in part, in a manner which would in any way violate any certificate of occupancy affecting the Project, or make void or voidable any insurance then in force with respect thereto, or which may make it impossible to obtain fire or other insurance thereon required to be furnished by the Corporation under the Agreement, or which will cause structural injury to the Project or any part thereof, or which will constitute a public or private nuisance, and shall not use or permit the Project to be used or occupied, in whole or in part, in a manner which may violate any present or future, ordinary or extraordinary, foreseen or unforeseen laws, regulations, ordinances or requirements of the federal, state or municipal governments, or of any departments, subdivisions, bureaus or offices thereof, or of any other governmental, public or quasi-public authorities now existing or hereafter created, having jurisdiction of the Project.

*(Section 11)*

### **Maintenance, Repair and Replacement**

FIT agrees that, throughout the Term of the Operating Agreement, it shall, at its own expense, operate and maintain, or cause to be operated and maintained, the Project in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project may be properly and advantageously conducted. When used under this heading the term “repairs” shall include replacements, additions or renewals, when necessary, and all such repairs shall be at least equal in quality and class to the original work or property, as the case may be, and shall be of such character as is appropriate for buildings of the construction, age and class of the buildings then on the Project. Neither FIT nor the Corporation shall do or permit or suffer any waste. All water, sewer electric, phone and other utilities in and to the Project shall be procured and maintained by FIT, as aforesaid.

FIT shall not make any change or alteration of a structural nature in or to the Project without the prior written consent of an Authorized Officer of the Authority and the Corporation.

*(Section 13)*

## **Covenant as to Insurance**

FIT, at its sole cost and expense shall procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily maintained by institutions similar to FIT.

In the event FIT fails to provide, or fails to cause to be provided, the required insurance, the Authority or the Corporation may elect at any time thereafter to procure and maintain the required insurance at the expense of FIT.

*(Section 14)*

## **Defaults and Remedies**

1. As used herein the term “Event of Default” shall mean:

(a) FIT shall default in the timely payment of any amount payable pursuant to the Operating Agreement or the payment of any other amounts required to be delivered or paid in accordance with the Operating Agreement, and such default continues for a period in excess of seven (7) days;

(b) FIT defaults in the due and punctual performance of any other covenant in the Operating Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given by the Corporation, the Authority or the Trustee;

(c) as a result of any default in payment or performance required of FIT or any Event of Default under the Operating Agreement, whether or not declared, continuing or cured, an “Event of Default” (as defined in the Resolution) shall have been declared under the Resolution so long as such Event of Default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) an Event of Default under the Agreement has occurred and is continuing;

(e) FIT shall (i) be generally not paying its debts as they become due, (ii) 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, (iii) make a general assignment for the benefit of its general creditors, (iv) 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, (v) be adjudicated insolvent or be liquidated or (vi) take corporate action for the purpose of any of the foregoing;

(f) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by FIT, 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 FIT, or any petition for any such relief shall be filed against FIT and such petition shall not be dismissed within 90 days;

(g) the charter of FIT shall be suspended or revoked;

(h) a petition to dissolve FIT shall be filed by FIT with the legislature of the State of New York or other governmental authority having jurisdiction over FIT;

(i) an order of dissolution of FIT shall be made by the legislature of the State of New York or other governmental authority having jurisdiction over FIT which order shall remain undismitted or unstayed for an aggregate of thirty (30) days;

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

(k) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to FIT, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(l) a final judgment for the payment of money which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against FIT and at any time after thirty (30) days from the entry thereof, (i) such judgment shall not have been discharged, or (ii) FIT 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 thirty (30) 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.

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

(a) declare all sums payable by FIT under the Operating Agreement immediately due and payable;

(b) withhold any or all further performance under the Operating Agreement;

(c) maintain an action against FIT under the Operating Agreement to recover any sums payable by FIT or to require its compliance with the terms hereof;

(d) terminate the Operating Agreement on five (5) days' notice to FIT and upon the expiration of such five (5) day period, FIT shall quit, vacate and surrender the Project to the Corporation, the Operating Agreement and the term hereby granted shall expire and terminate as fully and completely and with the same force and effect as if the day so specified were the date hereinbefore fixed for the expiration of the Term of the Operating Agreement and all rights of FIT under the Operating Agreement shall expire and terminate, but FIT shall remain liable for damages as thereafter provided;

(e) take any action necessary to enable the Corporation to realize on its liens by law and any other action or proceeding permitted by the terms hereof or by law; or

(f) take or refrain from taking such action under the Operating Agreement as the Corporation may from time to time determine.

3. Nothing contained in this under this heading "Defaults and Remedies" shall be construed as limiting or precluding the Corporation's recovery against FIT of any damages to which the Corporation may lawfully be entitled in any case other than those particularly provided for above.

4. All rights and remedies given or granted to the Corporation are cumulative, non-exclusive and in addition to any and all rights and remedies that the Corporation 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 Corporation's right to exercise such remedy thereafter.

*(Section 15)*

**SUMMARY OF CERTAIN PROVISIONS  
OF THE RESOLUTION**

**[THIS PAGE INTENTIONALLY BLANK]**

## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The following is a summary of certain provisions of the Resolution (referred to in this Appendix F as the “Resolution”). Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have meanings ascribed to them in Appendix B. Unless otherwise indicated, references to section numbers in the Resolution refer to sections in the Resolution.

### **Resolution and Bonds Constitute a Contract**

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other Bonds except as expressly provided in or permitted by the Resolution.

*(Section 1.03)*

### **Additional Obligations**

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

*(Section 2.05)*

### **Pledge of Revenues**

The proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive all payments to be made under the Agreement that are to be deposited with the Trustee, the Authority’s security interest in the Pledged Revenues granted by the Corporation to the Authority pursuant to the Agreement and except as otherwise provided, all funds and accounts established by the Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under any Series Resolution, all in accordance with the terms thereof. The pledge of the Revenues shall also be for the benefit of each Facility Provider as security for the payment of any amounts payable to such Facility Provider under the Resolution; *provided, however*, that such pledge shall, in all respects, be subject and subordinate to the rights and interest therein of the Bondholders. The pledge is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive all payments to be made under the Agreement that are to be deposited with the Trustee, the Authority’s security interest in the Pledged Revenues granted by the Corporation to the Authority pursuant to the Agreement and the funds and accounts established and pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive all payments to be made under the Agreement that are to be deposited with the Trustee, the Authority’s security interest in the Pledged Revenues granted by the Corporation to the Authority pursuant to the Agreement and the funds and accounts established and pledged by the Resolution, which pledge shall constitute a first lien thereon.

*(Section 5.01)*

### **Establishment of Funds and Accounts**

The following funds and separate accounts within such funds are established by the Resolution and shall be held and maintained by the Trustee:

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

Accounts and subaccounts within each of the foregoing funds may from time to time be established in accordance with any Series Resolution, any Bond Series Certificate or upon direction to the Trustee by an Authorized Officer of the Authority. All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution (other than the Arbitrage Rebate Fund) or by any Series Resolution shall be held in trust for the benefit of Bondholders, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution.

*(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 Moneys in the Construction Fund; Procedure upon Completion of Project**

(a) As soon as practicable after the delivery of each Series of Bonds, there shall be deposited 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 moneys paid to the Authority and required to be so deposited pursuant to the Resolution. The Trustee shall also deposit in the Construction Fund all amounts paid to it by the Corporation which by the terms of the Agreement are required to be deposited therein.

(b) Except as otherwise provided in the Resolution and in any Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Projects. For purposes of internal accounting, the Construction Fund may contain one or more accounts and subaccounts, as the Authority or the Trustee may deem proper.

(c) 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 with respect to each payment to be made: (i) the names of the payees, (ii) the purpose for payment is to be made in terms sufficient for identification, and (iii) the respective amounts of each such payment. Payments for Costs of the Projects 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 signed by an Authorized Officer of the Corporation, (i) naming the Project in connection with which payment is to be made, (ii) describing in reasonable detail the purpose for which moneys were used and the amount thereof, and (iii) stating that such purpose constitutes a necessary part of the Costs of the Projects and has not been the basis of any previous withdrawal from the Construction Fund. Moneys in the Construction Fund to be applied to pay interest on Bonds shall be transferred



from the Construction Fund to the Debt Service Fund at such times and in such amounts as shall be determined by an Authorized Officer of the Authority.

(d) Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Corporation with respect to any Project or any Mortgaged Property shall be deposited in the Construction Fund.

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

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the moneys, 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 the Projects in connection with 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; and

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

Third: To the Building and Equipment Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

Fourth: To the Debt Service Fund, to be applied in accordance with the provisions of the Resolution summarized below under the heading "Debt Service Fund," any balance remaining.

*(Section 5.04)*

### **Deposit and Allocation of Revenues**

(a) The Revenues and any other moneys, which, by any of the provisions of the 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 December 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds payable on or prior to the next succeeding January 1, including the interest estimated by the Authority to be payable on Variable Interest Rate Bonds on and prior to the next succeeding January 1, (b) one-half (1/2) of the principal and Sinking Fund Installments of Outstanding Option Bonds becoming due and payable on or prior to the next succeeding July 1, and (c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the provisions of the Resolution summarized below under the heading "Debt Service Fund" on or prior to the next succeeding January 1, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds becoming due and payable on or prior to the next succeeding July 1, including the interest estimated by the Authority to be payable on Variable Interest Rate Bonds on and prior to such July 1 and (b) the purchase price or Redemption Price of

Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the provisions under the heading “Debt Service Fund” below on or prior to the next succeeding July 1, plus accrued interest thereon to the date of purchase or redemption;

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

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

Fourth: To the Debt Serve Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement;

Fifth: To the Building and Equipment Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

Sixth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee 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 Projects, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Agreement or 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.

(b) The Trustee shall notify the Authority and the Corporation promptly after making the payments required by paragraph (a) above, of any balance of Revenues then remaining. After making the payments required by paragraph (a) above, 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 Corporation, in the respective amounts set forth in such direction. Any amounts paid to the Corporation shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

*(Section 5.05)*

**Debt Service Fund**

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

- (1) the interest due and payable on all Outstanding Bonds on such interest payment date;
- (2) the principal amount due and payable on all Outstanding Bonds on such interest payment date; and
- (3) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds on such interest payment date.

The amounts paid out of the Debt Service Fund shall be irrevocably pledged to and applied to such payments.

(b) In the event that on the fourth Business Day preceding any interest payment date the amount in the Debt Service Fund shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, together with the purchase price of Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the provisions contained in paragraphs (c) or (d) under this heading, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Debt Service Reserve Fund and

deposit to the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments. The Trustee shall immediately notify each Facility Provider of a withdrawal from the Debt Service Reserve Fund.

(c) Notwithstanding the provisions of paragraph (a) under this heading “Debt Service Fund,” the Authority may, at any time subsequent to July 1 of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys 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. Any Term Bond so purchased 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 that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(d) Notwithstanding the provisions of paragraph (a) under this heading “Debt Service Fund,” the Corporation pursuant to the Agreement may deliver, at any time subsequent to July 1 of any Bond Year, but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, to the Trustee for cancellation one or more Term Bonds of the Series and maturity to be so redeemed on such date from such Sinking Fund Installment. Any Term Bond so delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; *provided, however,* that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(e) Moneys in the Debt Service Fund in excess of the amount required to pay the principal of Outstanding Bonds payable on or prior to the next succeeding July 1, the interest on Outstanding Bonds payable on the next succeeding interest payment date and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be retained therein or applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to: (i) the purchase of Outstanding Bonds of any 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 and in such manner as an Authorized Officer of the Authority shall direct; (ii) to the redemption of Bonds, at the Redemption Prices specified in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds; or (iii) to the defeasance of the Bonds in accordance with the Resolution.

*(Section 5.06)*

### **Debt Service Reserve Fund**

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

(b) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds of a Series for all or any part of the Debt Service Reserve Fund Requirement; provided (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody’s and S&P or, if Outstanding Bonds are not rated by both Moody’s and S&P, by whichever of said rating services that then rates Outstanding Bonds and (ii) that any letter of credit shall be issued by 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

provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch of 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, the unsecured or uncollateralized long term debt obligations or which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by Moody’s and S&P or, if Outstanding Bonds are not rated by Moody’s and S&P, by whichever of said rating services that then rates Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to the Authority to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority and (iii) in the event of such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee and to the Authority substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United State Bankruptcy Code in a case commenced by or against the Authority or the Corporation thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below the ratings required by the second preceding paragraph, the Authority shall either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the Resolution summarized in the second preceding paragraph or (ii) deposit or cause to be deposited in the Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements of the Resolution summarized below in paragraph (1) under the heading “Investment of Funds and Accounts,” which is equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the July 1 or January 1 next succeeding the reduction in said ratings.

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

In computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation; provided that, if the unsecured or uncollateralized long term debt of such Facility Provider, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter or credit of said Facility Provider has been reduced below the ratings required by the second paragraph under this heading “Debt Service Reserve Fund,” said Reserve Fund Facility shall be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of July 1st’s and January 1st’s which has elapsed since such ratings were reduced and the denominator of which is ten.

(c) Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the Resolution; provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund can not be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

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

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

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

(f) If upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund are less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Corporation of such deficiency and the Corporation shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

*(Section 5.07)*

### **Building and Equipment Reserve Fund**

(a) The Revenues and Securities delivered to the Trustee, which by the provision of the Agreement, are to be deposited in the Building and Equipment Reserve Fund, shall upon receipt by the Trustee be deposited to the credit of the Building and Equipment Reserve Fund.

(b) In the event that on the fourth Business Day preceding any interest payment date and after any withdrawal made pursuant to the provisions of paragraph (b) under the heading "Debt Service Fund" above the amount in the Debt Service Fund shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of Outstanding Bonds due and payable on such interest payment date, together with the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Building and Equipment Reserve Fund and deposit to the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments.

(c) The amount on deposit in the Building and Equipment Reserve Fund shall be applied to defray the costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating and improving a Project and its equipment and to the renewal, replacement and repair of damaged property of a Project. Any payment from the Building and Equipment Reserve Fund to defray such costs shall be made by the Trustee upon receipt of a certificate of the Authority signed by an Authorized Officer, setting forth in reasonable detail the payment to be made and stating that such payments are properly payable from moneys held by the Trustee in the Building and Equipment Reserve Fund.

(d) All or any portion of the Securities held for the credit of the Building and Equipment Reserve Fund in excess of the maximum Building and Equipment Reserve Fund Requirement shall be paid in the following order or 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 reimburse, pro rata, each Facility Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Facility Provider; Third, to the Debt Service Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement; Fourth, to the Authority, the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees or expenses of the Authority or pursuant to any indemnity; and, Fifth, upon request of an Authorized Officer of the Corporation and so long as the Corporation is not then in default under the Agreement, to the Corporation, free and clear of the trust, pledge, line, encumbrance or security interest created by the Resolution or by the Agreement.

(e) If, upon a valuation of the Securities held for the credit of the Building and Equipment Reserve Fund, the value of such Securities is less than the Building and Equipment Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Corporation of such deficiency. The Corporation shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee, for deposit to the Building and Equipment Reserve Fund, Securities the value of which is sufficient to increase the amount in the Building and Equipment Reserve Fund to at least equal the Building and Equipment Reserve Fund Requirement.

(f) If the Corporation is not in default under the Agreement, the Corporation, upon not less than one (1) day's notice or, if required by the Trustee or the Authority, such longer notice not to exceed fifteen (15) days, to the Authority and the Trustee, shall have the right, at any time and from time to time, to withdraw Securities from the Building and Equipment Reserve Fund upon the simultaneous substitution therefore and deposit with the Trustee of the Securities having an aggregate value which, together with the value of the Securities remaining on deposit in the Building and Equipment Reserve Fund, shall be at least equal to the Building and Equipment Reserve Fund Requirement.

(g) Withdrawals and substitutions permitted by the provisions under this heading "Building and Equipment Reserve Fund" shall be made by the Trustee at the direction of the Corporation. Unless the Corporation is in default under the Agreement, the Trustee shall follow such written instructions as may be given by the Corporation with respect to exercising any right or option with respect to Securities in the Building and Equipment Reserve Fund. If the Corporation shall be in default under the Agreement, the Trustee shall follow instructions of the Authority with respect to such matters.

*(Section 5.08)*

### **Arbitrage Rebate Fund**

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Corporation for deposit therein and shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys 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.

Moneys 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. Moneys which an Authorized Officer

of the Authority determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the directions of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of earnings on the investment of Gross Proceeds of the 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, all or a portion of the investment earnings which the Authority has determined may be required by the Code to be rebated to the Department of the Treasury of the United States of America and (ii) 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 5.09)*

### **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 the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and unpaid and to accrue on such Bonds to the next date on which all such Bonds are redeemable, or to make provision for the defeasance of the Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Corporation. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds, 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 each Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the Resolution and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

*(Section 5.10)*

### **Computation of Assets of Certain Funds**

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 Corporation, 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 the Resolution, shall compute the value of the assets in the Debt Service Reserve Fund and the Building and Equipment Reserve Fund. Such value shall be computed 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 clause (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. The Trustee shall notify the Authority and the Corporation as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund and the Building and Equipment Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement and the Building and Equipment Reserve Fund Requirement, respectively.

*(Section 5.12)*

### **Investment of Funds and Accounts**

(1) Moneys held in any fund or account established the Resolution or by a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested, in Government Obligations, Federal Agency Obligations, or Exempt Obligations and, if not inconsistent with the investment guidelines of a Rating Service, any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; provided, further, (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) 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. Moneys held under

the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

(2) In lieu of the investments of moneys in obligations authorized in paragraph (1) above, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest moneys in the Building and Equipment Reserve Fund, and the Authority may, to the extent permitted by law, invest moneys in the Construction Fund in (i) interest bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) Exempt Obligations or (iii) Investment Agreements; provided, however, that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each such interest bearing time deposit, certificate of deposit, repurchase agreement or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in obligations of a market value determined by the Trustee or its agent on a daily valuation equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement 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 obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be free and clear of claims of any other person.

(3) Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held by the Trustee or the Authority 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 to, as the case may be, such fund or account.

(4) In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution each Permitted Investment therein shall be valued at the market value thereof, plus accrued interest, except that the Building and Equipment Reserve Fund shall be valued at the lower of cost of such investments or the par value thereof, plus accrued interest.

(5) Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, any investment held by the Trustee pursuant to the Resolution shall be sold at the best price obtainable, or presented for redemption or exchange, whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (1) and (2) above. 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.

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

(Section 6.02)



### **Payment of Principal and Interest**

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

*(Section 7.01)*

### **Extension of Payment of Bonds**

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of such Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or of any Series Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant hereto and to any Series Resolution) held by the Trustee, except subject to the prior payment of the principal of all Outstanding Bonds the maturity of which has not been extended and of such portion of the interest on such Bonds as shall not be represented by such extended claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Authority to issue Option Bonds or Refunding Bonds or other bonds or notes to refund Outstanding Bonds as permitted by the Resolution and by the Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

*(Section 7.02)*

### **Powers as to Bonds and Pledge**

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds, to adopt the Resolution and each Series Resolution and to pledge and assign the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted to the Authority under the Agreement and the funds and accounts established and pledged by the Resolution and by any Series Resolution, in the manner and to the extent provided therein. The Authority further covenants that the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted to the Authority under the Agreement and the funds and accounts established and pledged by the Resolution and by any Series Resolution 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 by each Series Resolution, other than, any pledge, lien, charge or encumbrance upon the Revenues created by the Authority to secure its obligations to a Facility Provider which has provided a Credit Facility or a Liquidity Facility, which may be of equal priority and rank with the charge and lien thereon created by the Resolution. 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 the 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 the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted to the Authority under the Agreement and the funds and accounts established and pledged by the Resolution and by any Series Resolution and all of the rights of the Holders of Bonds under the Resolution and each Series Resolution against all claims and demands of all persons whomsoever.

*(Section 7.03)*

### **Further Assurance**

The Authority, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and

assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and the pledges and assignments made by the Resolution, or intended so to be, or which the Authority may hereafter become bound to pledge or assign.

*(Section 7.04)*

#### **Accounts and Audits**

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State, the Trustee or any Holder of a Bond or such Holder's representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, each Facility Provider and the Corporation. Such report shall include, at least, a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; a statement that the balance in the Debt Service Reserve Fund and the Building and Equipment Reserve Fund meet the requirements of the Resolution and of the applicable Series Resolution, and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution and of each Series Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

*(Section 7.05)*

#### **Creation of Liens**

Except as permitted by the Resolution, the Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of the Bonds, the Revenues or the funds and accounts established and pledged pursuant to the Resolution or any Series Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations or otherwise incurred indebtedness under another and separate resolution or agreement so long as the charge or lien created thereby is not prior or equal to the charge or lien created by the Resolution, and (ii) incurring obligations with respect to a Credit Facility or a Liquidity Facility which are secured by a lien upon and pledge of the Revenues which lien and pledge is of equal priority with the lien created and the pledge made by the Resolution.

*(Section 7.06)*

#### **Enforcement of Duties and Obligations of the Corporation**

The Authority shall take all legally available action to cause the Corporation to perform fully all duties and acts and comply fully with the covenants of the Corporation required by the Agreement in the manner and at the times provided in the Agreement; *provided, however*, that the Authority may delay or defer enforcement of one or more provisions of the Agreement (other than provisions requiring the payment of moneys or the delivery of Securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds.

*(Section 7.07)*

#### **Offices for Payment and Registration of Bonds**

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to Supplemental Resolution or Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of a Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times

maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of the Bonds. The provisions of this paragraph shall be subject to the provisions of the Resolution.

*(Section 7.09)*

### **Filings of Financing Statements**

Except as provided in the Resolution, the Authority shall file in the appropriate offices all financing statements which are necessary to perfect the security interests, if any, granted to the Authority under the Agreement and to the Trustee under the Resolution.

*(Section 7.10)*

### **Amendment of Agreement and Operating Agreement**

The Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds 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 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 Corporation under the Agreement that is to be deposited with the Trustee or extend the time of payment thereof. The Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping, of any facilities constituting a part of a Project or which may be added to a Project, to cure any ambiguity, or to correct or supplement any provisions contained in the Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Agreement or the Operating Agreement. Except as otherwise provided in the provisions under this heading "Amendment of Agreement and Operating Agreement," the 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.

The Authority will not consent to any amendment, change, modification or termination of the Operating Agreement which will materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds 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 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 FIT under the Operating Agreement that is to be deposited with the Trustee or extend the time of payment thereof. The Operating Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to cure any ambiguity, or to correct or supplement any provisions contained in the Operating Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Agreement or the Operating Agreement. Except as otherwise provided in the provisions under this heading "Amendment of Agreement and Operating Agreement," the Operating Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds or the Trustee. Prior to consent by the Authority to any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

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 or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

*(Section 7.11)*

### **Notice as to Event of Default Under Agreement**

The Authority shall notify the Trustee in writing that an Event of Default under the Agreement, as such term is defined in the Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

*(Section 7.12)*

### **Tax Exemption; Rebates**

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of such Series as the Authority may designate, the Authority shall comply with the provisions of the Code applicable to the Bonds of such Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of such Series of Bonds, reporting of earnings on the Gross Proceeds of such Series of Bonds, and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority shall comply with the provisions of the Tax Certificate with respect to such Series of Bonds.

In connection with the foregoing, the Authority shall not take any action or fail to take any action, which would cause the Bonds of a Series intended to be tax-exempt to be “arbitrage bonds” within the meaning of Section 148(a) of the Code; nor shall any part of the proceeds of the Bonds of such Series or any other funds of the Authority be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any such Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

In connection with the foregoing, the Authority shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds of such Series pursuant to Section 148(f) of the Code from amounts on deposit in the Arbitrage Rebate Fund and available therefor.

Notwithstanding any other provision of the Resolution to the contrary, the Authority’s failure to comply with the provisions of the Code applicable to the Bonds of a Series shall not entitle the Holders of Bonds of any other Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority’s failure to comply with the provisions of the Resolution or of the Code.

*(Section 7.13)*

### **General**

The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Resolution in accordance with the terms of such provisions.

*(Section 7.14)*

### **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 Resolutions 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, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

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

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

(e) To confirm, as further assurance, any pledge made under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys, Securities or funds;

(f) To modify any of the provisions in 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; or

(g) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect.

*(Section 9.01)*

### **Supplemental Resolutions Effective With Consent of Bondholders**

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondholders in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the Corporation 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, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this heading "Powers Of Amendment." No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes hereof, a Series shall be deemed to be affected by a

modification or amendment 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 any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. 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 hereof. The Trustee shall transmit a copy of such Supplemental Resolution to the Corporation 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 Resolution to take effect when and as provided under this heading “Consent of Bondholders.” A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided below. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided below is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Corporation a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided under this heading “Consent of Bondholders,” shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted under this heading “Consent of Bondholders” 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 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 Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; *provided, however*, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority.

*(Section 10.02)*

### **Modifications by Unanimous Consent**

The terms and provisions hereof and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 10.02 hereof, except that no notice to the Bondholders either by mailing or publication shall be required.

*(Section 10.03)*

### **Events of Default**

An event of default shall exist under the Resolution and under each Series Resolution (herein called “Event of Default”) if:

(a) 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) 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) The Authority shall default in the due and punctual performance of the covenants contained in the Resolution and, as a result thereof, the interest on the Bonds of a Series which was intended to be excluded from gross income under Section 103 of the Code shall no longer be so excluded; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or in any 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 the 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 percent (25%) in principal amount of the Outstanding Bonds; unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof; or

(e) The Authority shall have notified the Trustee that an “Event of Default”, as defined in the Agreement, arising out of or resulting from the failure of the Corporation to comply with the requirements of the Agreement shall have occurred and be continuing and all sums payable by the Corporation under the Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

*(Section 11.02)*

### **Acceleration of Maturity**

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified under the heading “Events of Default” above, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, shall, by a notice in writing to the Authority, declare the principal of and interest on all of the outstanding Bonds to be due and payable at the expiration of thirty (30) days after such notice is given. At the expiration of thirty (30) days after the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys 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 each Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this paragraph) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in any Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

*(Section 11.03)*

### **Enforcement of Remedies**

Upon the happening and continuance of any event of default specified under the heading “Events of Default” above, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or, in the case of a happening and continuance of an event of default specified in paragraph (c) under the heading “Events of Default” above, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power granted by the Resolution or any Series Resolution, 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 each 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 any Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any 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 any 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)*



### **Priority of Payments After Default**

If at any time the moneys held by the Trustee hereunder and under each Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, shall be applied (after first depositing in the Arbitrage Rebate Fund all amounts required to be deposited therein and then paying all amounts owing to the Trustee under the Resolution) as follows:

(a) Unless the principal of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all such amounts due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in the Bonds.

The above provisions are in all respects subject to the provisions of the Resolution summarized above under the heading "Extension of Payment of Bonds."

Whenever moneys are to be applied by the Trustee pursuant to the provisions above, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Amounts held by the Trustee after payments to be made pursuant to the provisions of the Resolution summarized under this heading "Priority of Payments After Default" have been made and no Bonds are Outstanding shall be paid and applied in accordance with the provisions of the Resolution summarized below under the heading "Defeasance."

*(Section 11.05)*

### **Termination of Proceedings**

In case any proceedings commenced by the Trustee on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee, each Facility Provider, the Corporation and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been commenced.

*(Section 11.06)*

### **Bondholders' Direction of Proceedings**

Anything in the Resolution to the contrary notwithstanding, the Holders of a majority in principal amount of the Outstanding Bonds or, in the case of an event of default specified in paragraph (c) under the heading "Events of Default" above, the Holders of a majority in principal amount of the Outstanding Bonds of the Series affected thereby 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 each Series Resolution, provided, such direction shall not be otherwise than in accordance with law and the provisions of the Resolution and of each 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 shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or, in the case of an event of default specified in paragraph (c) under the heading "Events of Default" above, the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. 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 secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds. Notwithstanding any other provision of the Resolution, the Holder of any Bond 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 thereof 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 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 moneys or other Securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Corporation. 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 Agreement.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys 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 paragraph above. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraph above if (a) in case any of such 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 such date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, 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 such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) the Trustee shall have received the written consent to such defeasance of each Facility 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 Facility Provider, and (d) in the event such 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 such Bonds at their last known addresses appearing on the bond registration books, and, if directed by an 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 (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity payment of which shall 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. Neither the Defeasance Securities nor moneys 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 such Bonds; provided that any moneys 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 and subject to any applicable tax covenant, 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 such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and provided further, however, that moneys and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, 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 moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required by the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount

certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Corporation, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with clause (b) of the second sentence of the paragraph above, 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 moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (b) of the second sentence of the paragraph above, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

*(Section 12.01)*

#### **No Recourse under Resolution or on the Bonds**

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Bonds of a Series or for any claims based thereon, hereon or on any Series Resolution against any member, officer or employee of the Authority or any person executing such Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond of any Series by the acceptance of such Bonds.

*(Section 14.03)*

**PROPOSED FORMS OF APPROVING OPINIONS OF  
CO-BOND COUNSEL TO DASNY**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP,  
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2021 BONDS

Upon delivery of the Series 2021 Bonds, Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP  
7 WORLD TRADE CENTER  
250 GREENWICH STREET, 41<sup>ST</sup> FLOOR  
NEW YORK, NEW YORK 10007

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

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Act”), have examined a record of proceedings relating to the issuance of the Authority’s \$31,670,000 aggregate principal amount of FIT Student Housing Corporation Insured Revenue Bonds, Series 2021 (Federally Taxable) (the “Series 2021 Bonds”).

The Series 2021 Bonds are issued under and pursuant to the Act, the FIT Student Housing Corporation Revenue Bond Resolution adopted by the Authority on April 28, 2004 (the “Bond Resolution”) and the Series Resolution Authorizing Up To \$39,000,000 FIT Student Housing Corporation Revenue Bonds, adopted by the Authority on December 9, 2020 (the “Series 2021 Resolution”). The Bond Resolution and the Series 2021 Resolution are herein collectively referred to as the “Resolutions.”

The Series 2021 Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions and the Bond Series Certificate (as defined in the Bond Resolution) of the Authority fixing the terms and details of the Series 2021 Bonds.

The Authority has reserved the right to issue additional bonds on the terms and conditions and for the purposes stated in the Bond Resolution. Under and subject to the provisions of the Bond Resolution, the Series 2021 Bonds and all bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.
2. The Bond Resolution creates the valid pledge which it purports to create of the proceeds of the sale of the Series 2021 Bonds, the Revenues and all funds and accounts established by the Bond Resolution other than the Arbitrage Rebate Fund (as such terms are defined in the Bond Resolution), including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2021 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2021 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2021 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2021 Bonds.

5. The Amended and Restated Lease and Agreement dated as of April 25, 2007, as amended and supplemented by the First Amendment to the Amended and Restated Lease and Agreement dated as of February 3, 2021 (as so amended and supplemented, the “Lease and Agreement”), between the Authority and FIT Student Housing Corporation (the “Institution”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Interest on the Series 2021 Bonds is included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

7. Under existing statutes, interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2021 Bonds, or the ownership or disposition thereof, except as stated in paragraphs 6 and 7 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, inclusion or exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2021 Bonds, the Resolutions and the Lease and Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2021 Bond and, in our opinion, the form of said Series 2021 Bond and its execution are regular and proper.

Very truly yours



FORM OF APPROVING OPINION OF MCGLASHAN LAW FIRM, P.C.,  
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2021 BONDS

Upon delivery of the Series 2021 Bonds, McGlashan Law Firm, P.C., Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

MCGLASHAN LAW FIRM, P.C.  
733 3<sup>RD</sup> AVENUE, 16<sup>TH</sup> FLOOR  
NEW YORK, NEW YORK 10017

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

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Act”), have examined a record of proceedings relating to the issuance of the Authority’s \$31,670,000 aggregate principal amount of FIT Student Housing Corporation Insured Revenue Bonds, Series 2021 (Federally Taxable) (the “Series 2021 Bonds”).

The Series 2021 Bonds are issued under and pursuant to the Act, the FIT Student Housing Corporation Revenue Bond Resolution adopted by the Authority on April 28, 2004 (the “Bond Resolution”) and the Series Resolution Authorizing Up To \$39,000,000 FIT Student Housing Corporation Revenue Bonds, adopted by the Authority on December 9, 2020 (the “Series 2021 Resolution”). The Bond Resolution and the Series 2021 Resolution are herein collectively referred to as the “Resolutions.”

The Series 2021 Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions and the Bond Series Certificate (as defined in the Bond Resolution) of the Authority fixing the terms and details of the Series 2021 Bonds.

The Authority has reserved the right to issue additional bonds on the terms and conditions and for the purposes stated in the Bond Resolution. Under and subject to the provisions of the Bond Resolution, the Series 2021 Bonds and all bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.
2. The Bond Resolution creates the valid pledge which it purports to create of the proceeds of the sale of the Series 2021 Bonds, the Revenues and all funds and accounts established by the Bond Resolution other than the Arbitrage Rebate Fund (as such terms are defined in the Bond Resolution), including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolutions.
3. The Series 2021 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2021 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2021 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2021 Bonds.

5. The Amended and Restated Lease and Agreement dated as of April 25, 2007, as amended and supplemented by the First Amendment to the Amended and Restated Lease and Agreement dated as of February 3, 2021 (as so amended and supplemented, the “Lease and Agreement”), between the Authority and FIT Student Housing Corporation (the “Institution”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2021 Bonds, the Resolutions and the Lease and Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2021 Bond and, in our opinion, the form of said Series 2021 Bond and its execution are regular and proper.

Very truly yours,

**PROPOSED FORM OF AGREEMENT TO  
PROVIDE CONTINUING DISCLOSURE**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**AGREEMENT TO PROVIDE CONTINUING DISCLOSURE**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**FIT STUDENT HOUSING CORPORATION INSURED REVENUE BONDS,**  
**SERIES 2021 (FEDERALLY TAXABLE)**

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the “Disclosure Agreement”), dated as of February 3, 2021, is executed and delivered by FIT Student Housing Corporation (the “Institution”), the Fashion Institute of Technology (“FIT”) (the Institution and FIT each an “Obligated Person” and collectively, “Obligated Persons”), The Bank of New York Mellon, as trustee (the “Trustee”) and Digital Assurance Certification, L.L.C. (“DAC”), as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) issued by the Dormitory Authority of the State of New York (the “Issuer” or “DASNY”) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute “advice” within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC is not obligated hereunder to provide any advice or recommendation to the Issuer, the Obligated Persons or anyone on the Issuer’s or the Obligated Persons’ behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f) of this Disclosure Agreement, by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Person pursuant to Section 9 hereof.

“Disclosure Representative” means the chief financial officer of the Obligated Person or his or her designee, or such other person as each Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Obligated Person’s failure to file an Annual Report on or before the Annual Filing Date.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Force Majeure Event” means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

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

“Information” means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer and the Obligated Persons in connection with the Bonds, as listed on Exhibit A.

“Resolution” means DASNY’s bond resolution(s) pursuant to which the Bonds were issued.

“Trustee” means The Bank of New York Mellon and its successors and assigns.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) Each Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 120 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending June 30, 2021, such date and each anniversary thereof, the “Annual Filing Date.” Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access (“EMMA”) System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Obligated Person shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if Audited Financial Statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and an Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of an Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

- (e) The Disclosure Dissemination Agent shall:
- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
  - (ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;
  - (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
  - (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
    - 1. Principal and interest payment delinquencies;
    - 2. Non-Payment related defaults, if material;
    - 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
    - 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
    - 5. Substitution of credit or liquidity providers, or their failure to perform;
    - 6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the security or other material events affecting the tax status of the security;
    - 7. Modifications to rights of security holders, if material;
    - 8. Bond calls, if material, and Tender offers;
    - 9. Defeasances;
    - 10. Release, substitution, or sale of property securing repayment of the securities, if material;
    - 11. Ratings changes;
    - 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
    - 13. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
    - 14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
    - 15. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other



similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties;
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking;”
  2. “change in obligated person;”
  3. “notice to investors pursuant to bond documents;”
  4. “certain communications from the Internal Revenue Service;”
  5. “secondary market purchases;”
  6. “bid for auction rate or other securities;”
  7. “capital or other financing plan;”
  8. “litigation/enforcement action;”
  9. “change of tender agent, remarketing agent, or other on-going party;”
  10. “derivative or other similar transaction;” and
  11. “other event-based disclosures;”
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. “quarterly/monthly financial information;”
  2. “change in fiscal year/timing of annual disclosure;”
  3. “change in accounting standard;”
  4. “interim/additional financial information/operating data;”
  5. “budget;”

6. “investment/debt/financial policy;”
  7. “information provided to rating agency, credit/liquidity provider or other third party;”
  8. “consultant reports;” and
  9. “other financial/operating data;”
- (viii) provide an Obligated Person evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) An Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

### SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to an Obligated Person which shall include, as appropriate, operating data and financial information of the type included in APPENDIX A - CERTAIN INFORMATION RELATING TO FIT STUDENT HOUSING CORPORATION AND FASHION INSTITUTE OF TECHNOLOGY to the Official Statement for the Bonds as described in under the headings “OPERATING INFORMATION” and “ANNUAL FINANCIAL STATEMENT INFORMATION” relating to: (1) student admissions, similar to that set forth under the heading “Admissions” in the table titled “ENTERING ASSOCIATE DEGREE STUDENTS”; (2) student enrollment, similar to that set forth under the heading “Enrollment” in the table titled “ENROLLMENT SUMMARY”; (3) tuition and other student charges, similar to that set forth under the heading “Tuition and Other Student Charges”; (4) financial aid, similar to that set forth under the heading “Financial Aid” in the table titled “SOURCES OF UNDERGRADUATE SCHOLARSHIP AND GRANT AID”; (5) faculty, similar to that set forth under the heading “Faculty” in the table titled “FACULTY PROFILE”; (6) aid, similar to that set forth under the heading “city aid, state aid, county aid and loan from FIT to the Institution”; (7) employee relations, similar to that set forth under the heading “Employee relations, including material information about union contracts” and, unless such information is included in the Audited Financial Statements of FIT, retirement plans similar to that set forth under the heading “Retirement Plans”; (8) restricted and designated net assets, similar to that set forth under the heading “Endowment and Similar Funds”, unless such information is included in the Audited Financial Statements of FIT; (9) capital assets, similar to that set forth under the heading “Capital Assets”, unless such information is included in the Audited Financial Statements of FIT; and (10) outstanding indebtedness, similar to that set forth under the heading “Outstanding Indebtedness” unless such information is included in the Audited Financial Statements of the Institution or FIT; together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, an Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which an Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or are available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. An Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

#### SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice 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 and determinations with respect to the tax status of the security or other material events affecting the tax status of the security;
7. Modifications to rights of the security holders, if material;
8. Bond calls, if material, and Tender offers
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

**Note to subsection (a)(12) of this Section 4:** For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the

existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

Each Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, the Trustee shall promptly notify each Obligated Person and also shall notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify an Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies an Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if an Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that each Obligated Person desires to make, contain the written authorization of each Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date each Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

Each Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. Each Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) Each Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) Each Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by an Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Persons is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent an Obligated Person from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If an Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, such Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of each Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when an Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

Each Obligated Person hereby appoints DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. An Obligated Person may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of an Obligated Person or DAC, the Obligated Person agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, each Obligated Person shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Obligated Persons.

SECTION 10. Remedies in Event of Default.

In the event of a failure of an Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

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

EACH OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of each Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and it shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Persons.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

Each Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4 hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under Section 4 hereof. DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, each Obligated Person, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Persons, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Persons, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Obligated Persons, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to an Obligated Person or the Trustee and the assumption by any such successor of the covenants of an Obligated Person or the Trustee hereunder;

(iv) to add to the covenants of an Obligated Person or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon an Obligated Person or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Persons, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page left intentionally blank]



The Disclosure Dissemination Agent, the Trustee and the Obligated Persons have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.,**  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FIT STUDENT HOUSING CORPORATION,**  
as Obligated Person

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FASHION INSTITUTE OF TECHNOLOGY,**  
as Obligated Person

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**THE BANK OF NEW YORK MELLON,**  
as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer: Dormitory Authority of the State of New York  
Obligated Person(s): FIT Student Housing Corporation and the Fashion Institute of Technology  
Name of Bond Issue: FIT Student Housing Corporation Insured Revenue Bonds, Series 2021  
(Federally Taxable)  
Date of Issuance: February 3, 2021  
Date of Official Statement: January 20, 2021

**Series 2021 (Federally Taxable)**

<u>Maturity</u>	<u>CUSIP No.</u>
July 1, 2035	64990G4Z2
July 1, 2036	64990G5A6
July 1, 2037	64990G5B4
July 1, 2038	64990G5C2

**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Dormitory Authority of the State of New York  
Obligated Person(s): FIT Student Housing Corporation and the Fashion Institute of Technology  
Name of Bond Issue: FIT Student Housing Corporation Insured Revenue Bonds, Series 2021  
(Federally Taxable)  
Date of Issuance: February 3, 2021  
  
CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of February 3, 2021, by and among the Obligated Persons, The Bank of New York Mellon, as trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure  
Dissemination Agent, on behalf of the Obligated Persons

---

cc: Obligated Persons

**EXHIBIT C-1  
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

\_\_\_\_\_  
Six-Digit CUSIP Number:

\_\_\_\_\_  
or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

\_\_\_\_\_  
Number of pages attached: \_\_\_\_\_

Description of Notice Events (Check One):

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

\_\_\_\_\_ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-2**  
**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Agreement to Provide Continuing Disclosure dated as of February 3, 2021, by and among the Obligated Persons, the Trustee and DAC.

Issuer's and Obligated Person's Names:

\_\_\_\_\_

Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

Description of Voluntary Event Disclosure (Check One):

1. \_\_\_\_\_ "amendment to continuing disclosure undertaking;"
2. \_\_\_\_\_ "change in obligated person;"
3. \_\_\_\_\_ "notice to investors pursuant to bond documents;"
4. \_\_\_\_\_ "certain communications from the Internal Revenue Service;"
5. \_\_\_\_\_ "secondary market purchases;"
6. \_\_\_\_\_ "bid for auction rate or other securities;"
7. \_\_\_\_\_ "capital or other financing plan;"
8. \_\_\_\_\_ "litigation/enforcement action;"
9. \_\_\_\_\_ "change of tender agent, remarketing agent, or other on-going party;"
10. \_\_\_\_\_ "derivative or other similar transaction;" and
11. \_\_\_\_\_ "other event-based disclosures."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-3  
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Agreement to Provide Continuing Disclosure dated as of February 3, 2021, by and among the Obligated Persons, the Trustee and DAC.

Issuer's and Obligated Person's Names:

\_\_\_\_\_

Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

Description of Voluntary Financial Disclosure (Check One):

1. \_\_\_\_\_ "quarterly/monthly financial information;"
2. \_\_\_\_\_ "change in fiscal year/timing of annual disclosure;"
3. \_\_\_\_\_ "change in accounting standard;"
4. \_\_\_\_\_ "interim/additional financial information/operating data;"
5. \_\_\_\_\_ "budget;"
6. \_\_\_\_\_ "investment/debt/financial policy;"
7. \_\_\_\_\_ "information provided to rating agency, credit/liquidity provider or other third party;"
8. \_\_\_\_\_ "consultant reports;" and
9. \_\_\_\_\_ "other financial/operating data."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**SPECIMEN MUNICIPAL BOND  
INSURANCE POLICY**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**





# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("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. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)



