



**\$64,015,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**TOURO COLLEGE AND UNIVERSITY SYSTEM**  
**OBLIGATED GROUP REVENUE BONDS**  
**SERIES 2017**

**Dated: Date of Delivery** **Due: January 1, as shown on the inside cover pages**

**Payment and Security:** The Touro College and University System Obligated Group Revenue Bonds, Series 2017 (the "Series 2017 Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY") payable solely from and secured by a pledge of (i) certain payments to be made by Touro College (the "College" or the "Institution") under a Loan Agreement (the "Loan Agreement"), dated as of December 6, 2017, between the Institution and DASNY, and/or payments made under the related Series 2017 Obligation (as hereinafter defined), which Series 2017 Obligation secures the Institution's obligations under the Loan Agreement with respect to the Series 2017 Bonds, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) established in connection with the Series 2017 Bonds. The Series 2017 Bonds are to be issued under DASNY's Touro College and University System Obligated Group Revenue Bond Resolution, adopted May 14, 2014 (the "General Resolution") and the Series Resolution authorizing the Series 2017 Bonds, adopted December 6, 2017 (the "Series 2017 Resolution," and collectively with the General Resolution, the "Resolutions").

Payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017 Bonds, when due, is secured by payments to be made pursuant to Obligation No. 6 (the "Series 2017 Obligation") issued by the Obligated Group (as defined herein) pursuant to a Master Trust Indenture, dated as of May 1, 2014 (as supplemented, the "Master Indenture"), among the Institution and the other Members of the Obligated Group (collectively, the "Obligated Group") and The Bank of New York Mellon, as Master Trustee (the "Master Trustee"). The Obligated Group's obligations under the Master Indenture are general, joint and several obligations of the Members of the Obligated Group, secured by a lien on Gross Revenues and the Mortgages, as further described herein.

The obligations of the Institution under the Loan Agreement and each Member of the Obligated Group's obligations under the Series 2017 Obligation are general obligations of such parties. The Loan Agreement requires the Institution to pay, in addition to the fees and expenses of DASNY and The Bank of New York Mellon, as Trustee (the "Trustee"), amounts sufficient to pay the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017 Bonds, as such payments shall become due, and to make payments due under the Series 2017 Obligation. See "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS."

**The Series 2017 Bonds will not be a debt of the State of New York (the "State") and the State will not be liable on the Series 2017 Bonds. DASNY has no taxing power.**

**Description:** The Series 2017 Bonds will be issued as fully registered fixed rate bonds in denominations of \$5,000 or any integral multiple thereof and will mature on the dates and bear interest at the rates shown on the inside cover pages hereof. Interest on the Series 2017 Bonds will accrue from the date of delivery and will be payable semiannually on each January 1 and July 1, commencing July 1, 2018.

The Series 2017 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 2017 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2017 Bonds, payments of the principal, Sinking Fund Installments and Redemption Price of and interest on such Series 2017 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 2017 BONDS - Book-Entry Only System" herein.

**Redemption and Purchase:** *The Series 2017 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein.*

**Tax Matters:** In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2017 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2017 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, Hawkins Delafield & Wood LLP is of the opinion that, under existing statutes, interest on the Series 2017 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 12 - TAX MATTERS" herein regarding certain other tax considerations.

*The Series 2017 Bonds are offered when, as, and if issued and received by the Underwriter. The offer of the Series 2017 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 DASNY's co-bond counsel, Hawkins Delafield & Wood LLP, New York, New York, and Golden Holley James LLP, New York, New York (collectively, "Co-Bond Counsel"), and to certain other conditions. Certain legal matters will be passed upon for Members of the Obligated Group by the College's General Counsel, by Nevada special counsel, Ballard Spahr LLP, Las Vegas, Nevada, and by special counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Bryan Cave LLP, Kansas City, Missouri. DASNY expects to deliver the Series 2017 Bonds in definitive form in New York, New York, on or about December 28, 2017.*

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**\$64,015,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**TOURO COLLEGE AND UNIVERSITY SYSTEM OBLIGATED GROUP**  
**REVENUE BONDS, SERIES 2017**

Serial Bonds

<u>Due</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> <sup>+</sup>
2043	\$4,515,000	4.000%	99.218%	4.050%	64990H6W5

Term Bonds

\$2,975,000 5.000% Term Bonds Due January 1, 2033;  
Price: 111.766% Yield: 3.590%<sup>(1)</sup> CUSIP Number<sup>+</sup>: 64990H6P0

\$4,665,000 5.000% Term Bonds Due January 1, 2038;  
Price: 110.438% Yield: 3.740%<sup>(1)</sup> CUSIP Number<sup>+</sup>: 64990H6T2

\$11,000,000 5.000% Term Bonds Due January 1, 2042;  
Price: 110.087% Yield: 3.780%<sup>(1)</sup> CUSIP Number<sup>+</sup>: 64990H6V7

\$40,860,000 5.000% Term Bonds Due January 1, 2047;  
Price: 109.650% Yield: 3.830%<sup>(1)</sup> CUSIP Number<sup>+</sup>: 64990H6X3

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<sup>+</sup> 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 2017 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 2017 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2017 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 2017 Bonds.

<sup>(1)</sup> Yield calculated to the first optional par redemption date (January 1, 2028).

No dealer, broker, salesperson or other person has been authorized by DASNY, the Members of the Obligated Group or the Underwriter to give any information or to make any representations with respect to the Series 2017 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 Obligated Group 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 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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.

Certain information in this Official Statement has been supplied by the Members of the Obligated Group and other sources that DASNY believes are reliable. Neither DASNY nor the Underwriter guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of DASNY or the Underwriter.

The Members of the Obligated Group have reviewed the parts of this Official Statement describing the Obligated Group, the Sources of Payment and Security for the Series 2017 Bonds, the Principal and Interest Requirements, the Plan of Finance, the Estimated Sources and Uses of Funds, Bondholders' Risks, Appendix B-1, Appendix B-2 and Appendix E. As a condition to delivery of the Series 2017 Bonds, the Obligated Group will certify that as of the date of this Official Statement and as of the date of delivery of the Series 2017 Bonds, such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Obligated Group makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the General Resolution, the Series 2017 Resolution, the Loan Agreement, the Master Indenture, the Series 2017 Obligation, the Mortgages and the Continuing Disclosure Agreement do not purport to be complete. Refer to the Act, the General Resolution, the Series 2017 Resolution, the Loan Agreement, the Master Indenture, the Series 2017 Obligation, the Mortgages and the Continuing Disclosure Agreement for full and complete details of their provisions. Copies of such documents 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 will the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of DASNY or the Obligated Group have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2017 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE OBLIGATED GROUP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT AFFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**CAUTIONARY STATEMENTS REGARDING FORWARD-  
LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

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Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "projected," "budget" or other similar words. A number of important factors affecting the Obligated Group's financial and operating results could cause actual results to differ materially from those stated in the forward-looking statements.

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**DORMITORY AUTHORITY - STATE OF NEW YORK**  
**GERRARD P. BUSHHELL - PRESIDENT**

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

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**OFFICIAL STATEMENT RELATING TO**  
**\$64,015,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**TOURO COLLEGE AND UNIVERSITY SYSTEM OBLIGATED GROUP REVENUE BONDS**  
**SERIES 2017**

**PART 1 - INTRODUCTION**

**Purpose of the Official Statement**

The purpose of this Official Statement, including the cover page, inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (“DASNY”), Touro College, a New York not-for-profit corporation (the “College” or the “Institution”), and the other Members of the Obligated Group (as defined herein), in connection with the offering by DASNY of \$64,015,000 principal amount of its Touro College and University System Obligated Group Revenue Bonds, Series 2017 (the “Series 2017 Bonds”).

The following is a brief description of certain information concerning the Series 2017 Bonds, DASNY and the Obligated Group. A more complete description of such information and additional information that may affect decisions to invest in the Series 2017 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

**Purpose of the Issue**

The proceeds of the Series 2017 Bonds will be loaned by DASNY to the College and, together with other available funds, are expected to be used to (i) finance the acquisition and renovations of certain real property located at 625 West 59<sup>th</sup> Street, New York, New York, (ii) fund a deposit to the Debt Service Reserve Fund for the Series 2017 Bonds (the “Debt Service Reserve Fund”) in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2017 Bonds (hereinafter defined), (iii) pay capitalized interest on the Series 2017 Bonds, and (iv) pay a portion of the costs of issuance of the Series 2017 Bonds.

See “PART 5 - PLAN OF FINANCE” and “PART 6 - ESTIMATED SOURCES AND USES OF FUNDS.”

**Authorization of Issuance**

The Series 2017 Bonds will be issued pursuant to DASNY’s Touro College and University System Obligated Group Revenue Bond Resolution, adopted May 14, 2014 (the “General Resolution”), the Series Resolution authorizing the Series 2017 Bonds, adopted December 6, 2017 (the “Series 2017 Resolution”) and the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State of New York, and constituting Title 4 of Article 8 of the Public Authorities Law), as the same may be amended from time to time (the “Act”). The General Resolution and the Series 2017 Resolutions are collectively referred to as the “Resolutions.”

The Authority has previously issued the Series 2014 Bonds (as described herein) pursuant to the General Resolution and applicable Series Resolutions. The General Resolution authorizes the issuance of other Series of Bonds (any such additional Series of Bonds, together with the Series 2014 Bonds and the Series 2017 Bonds, are referred to as “Bonds”) to pay Costs of one or more Projects, to pay the Costs of Issuance of such Series of Bonds, to fund debt service reserve funds, to refund all or a portion of Outstanding Bonds or other notes or bonds of DASNY that were issued on behalf of a New York Member of the Obligated Group, and to refinance other indebtedness of a New York Member of the Obligated Group. Each Series of Bonds will be separately secured from

each other Series of Bonds and will be secured by an Obligation. There is no limit on the amount of additional Bonds that may be issued under the General Resolution.

## **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 9 - DASNY.”

## **The Obligated Group**

The current Members of the Obligated Group are the College, New York Medical College, a New York not-for-profit corporation (“NYMC”), Touro University Nevada, a Nevada not-for-profit corporation (“TUN”), and Touro University, a California nonprofit public benefit corporation (“TU”). Each of the Members of the Obligated Group has been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Obligated Group operates independent, not-for-profit institutions of higher education. The College and NYMC operate campuses located in the New York Metropolitan area. TUN operates a campus in Henderson, Nevada, and TU operates campuses in Vallejo and Los Angeles, California.

The College or a wholly-owned subsidiary of the College operates as the sole member organization of each of the other Members of the Obligated Group and also is the member organization of certain non-Member affiliated organizations. Additionally, the College’s pledge of Gross Revenues associated with the College’s operations are only with respect to certain operating divisions of the College, each referred to in the Master Indenture as a Health Care and Other Designated Enterprise, comprised of Touro College of Osteopathic Medicine (located in Harlem, New York City, and Middletown, New York), Touro College of Pharmacy (located in Harlem, New York City), Touro College of Dental Medicine (located in Westchester County, New York), and Touro College School of Health Sciences (operating primarily in facilities located in Bayshore, New York), all as further described herein.

See “PART 7 - THE OBLIGATED GROUP” and “Appendix B-1 - Touro College and University System Obligated Group - Organization and Operations.”

See also “Appendix B-2 - Financial Statements of Touro College and Independent Auditors’ Report.” The audited consolidated financial statements included in Appendix B-2 include the accounts and activities of the Members of the Obligated Group, as well as Hebrew Theological College, Yeshiva Operations (Yeshivas Ohr Hachaim (YOC) and Rabbi Dov Revel Yeshiva of Forest Hills, Inc.), special-purpose entities, and supporting foundations. All transactions between the entities have been eliminated in the consolidated financial statements. For the fiscal year ended June 30, 2017, the Gross Revenues of TU, TUN, NYMC and the Designated Enterprise Revenues of the College constituted approximately \$355 million of the consolidated revenues of the System (as defined herein), which is approximately 73% of total consolidated revenues of the System.

## **The Series 2017 Bonds**

The Series 2017 Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2018 and on each January 1 and July 1 thereafter) at the rates and mature at the times and in the amounts set forth on the inside cover page of this Official Statement. See “PART 3 - THE SERIES 2017 BONDS.”

## **Payment of the Series 2017 Bonds**

The Series 2017 Bonds are special obligations of DASNY payable solely from (i) the proceeds from the sale of the Series 2017 Bonds, (ii) the Revenues pledged thereto, which include (A) certain payments to be made by the College under the Loan Agreement, dated as of December 6, 2017 (the “Loan Agreement”), between the Institution and DASNY, and/or (B) any payments to be made by the Obligated Group on the Series 2017 Obligation (as hereinafter defined), which payments are pledged and assigned to The Bank of New York Mellon, as Trustee (the “Trustee”), and (iii) all funds and accounts authorized pursuant to the General Resolution and established by the Series 2017 Resolution (excluding the Arbitrage Rebate Fund). The Series 2017 Obligation secures the Institution’s payment obligations under the Loan Agreement.

Pursuant to the Loan Agreement, the Institution will be required to pay, among other things, the principal, Sinking Fund Installments and Redemption Price of, and interest on the Outstanding Series 2017 Bonds.

See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Payment of the Series 2017 Bonds.”

**The Series 2017 Bonds will not be a debt of the State nor will the State be liable on them. DASNY has no taxing power. Neither the State nor DASNY has any responsibility to make payments with respect to the Series 2017 Bonds except for DASNY’s responsibility to make payments from the Revenues, and from amounts held in the funds and accounts established pursuant to the Series 2017 Resolution and pledged therefor.**

### **Security for the Series 2017 Bonds**

The Series 2017 Bonds will be secured by the pledge and assignment made by DASNY to the Trustee of the Revenues and, except as otherwise provided in the Resolutions, of all funds and accounts authorized by the General Resolution and established under the Series 2017 Resolution (other than the Arbitrage Rebate Fund), which includes a Debt Service Reserve Fund for the Series 2017 Bonds (the “Debt Service Reserve Fund”). The Institution’s obligation to make the payments under the Loan Agreement is a general obligation of the Institution and such payments are required to be made by the Institution out of any money legally available to it.

Payment when due of the Institution’s obligations to DASNY under the Loan Agreement with respect to the Series 2017 Bonds is secured by an Obligation issued by the Obligated Group for the Series 2017 Bonds (the “Series 2017 Obligation”) pursuant to a Master Trust Indenture, dated as of May 1, 2014 (as supplemented as provided below, the “Master Indenture”), by and between the Obligated Group and The Bank of New York Mellon, as Master Trustee (the “Master Trustee”), as supplemented with respect to the Series 2017 Obligation, by the Supplemental Master Trust Indenture for Obligation No. 6 (referred to as the “Series 2017 Supplemental Indenture”), dated as of December 1, 2017, by and among the Obligated Group and the Master Trustee. The Master Indenture constitutes general, joint and several obligations of the Members of the Obligated Group to repay all obligations issued under the Master Indenture (each, an “Obligation”), including the Series 2017 Obligation. The obligation of the Obligated Group to make the payments required by the Master Indenture with respect to the Series 2017 Obligation and all other Obligations are secured by a security interest in Gross Revenues given by the Obligated Group pursuant to the Master Indenture. With respect to the Institution, the pledge of Gross Revenues is limited to revenues derived from certain designated enterprises, each called a Health Care and Other Designated Enterprise, which are currently comprised of Touro College of Osteopathic Medicine, Touro College of Pharmacy, Touro College of Dental Medicine and Touro College School of Health Sciences. The security interest in Gross Revenues given to secure the Series 2017 Obligation will be subject to Permitted Liens, as described in the Master Indenture. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations Under the Master Indenture - Security Interest in Gross Revenues.”

The Obligated Group’s obligations pursuant to the Master Indenture will be additionally secured by Mortgages (as hereinafter defined) on certain Mortgaged Property (as hereinafter defined) and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. All Obligations issued under the Master Indenture are secured by the security interest in Gross Revenues and by the Mortgages on certain Mortgaged Property and, pursuant to the terms of the Master Indenture, all Obligations issued under the Master Indenture are secured on a parity basis. Pursuant to the Master Indenture, existing Obligations are and future Obligations issued thereunder will be secured by the Gross Revenues, the Mortgages as may be modified or supplemented in connection with the issuance of future Obligations, and any new Mortgages granted in accordance with the requirements of the Master Indenture, with all proceeds realized therefrom to be applied proportionally and ratably to all Obligations issued under the Master Indenture. In addition, the Master Trustee is permitted to release or subordinate certain portions of the Mortgaged Property from the lien of the Mortgage under certain conditions set forth in the Master Indenture. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture – 2014 and 2017 Mortgages” and “Appendix E - Summary of Certain Provisions of the Master Indenture – Particular Covenants of the Obligated Group - Security; Restrictions on Encumbering Property; Payment of Principal and Interest - Grant of Mortgage.”

### **Covenants**

Pursuant to the Master Indenture, the Members of the Obligated Group have agreed to comply with certain covenants set forth in the Master Indenture so long as the related Series of Bonds remain Outstanding. Additional Indebtedness may be incurred by each Member of the Obligated Group only in accordance with the terms of the

Master Indenture. For a description of such covenants and the limits on Additional Indebtedness, see “Appendix E - Summary of Certain Provisions of the Master Indenture.”

## **PART 2 -SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS**

*Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2017 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreement, the General Resolution, the Series 2017 Resolution, the Master Indenture (including the Series 2017 Supplemental Indenture), the Series 2017 Obligation and the Mortgages. Copies of the Loan Agreement, the General Resolution, the Series 2017 Resolution, the Master Indenture (including the Series 2017 Supplemental Indenture), the Series 2017 Obligation and the Mortgages are on file with DASNY and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement,” “Appendix D - Summary of Certain Provisions of the General Resolution” and “Appendix E - Summary of Certain Provisions of the Master Indenture” for a more complete statement of the rights, duties and obligations of the parties thereto.*

### **Payment of the Series 2017 Bonds**

The Series 2017 Bonds will be special obligations of DASNY. The principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017 Bonds are payable solely from the Revenues. With respect to the Series 2017 Bonds, such Revenues include (a) the payments required to be made by the Institution under the Loan Agreement on account of (i) the principal, Sinking Fund Installments and Redemption Price of and interest due on the Series 2017 Bonds, and (ii) the Debt Service Reserve Fund Requirement (as defined below), and/or (b) any payments made under the Series 2017 Obligation to be issued by the Obligated Group and all amounts realized upon liquidation of collateral securing the Series 2017 Obligation. The Series 2017 Obligation secures the Institution’s obligations under the Loan Agreement with respect to the Series 2017 Bonds. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Bondholders of the Series 2017 Bonds.

The Institution’s obligations under the Loan Agreement are general obligations of the Institution. The Obligated Group’s obligations under the Series 2017 Obligation are general, joint and several obligations of the Members of the Obligated Group and obligate the Obligated Group to make payments to satisfy the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017 Bonds. Generally, payments to satisfy principal and Sinking Fund Installments of, and interest on the Series 2017 Bonds are to be made monthly. Each payment is to be equal to a proportionate share of the interest on the Series 2017 Bonds coming due on the next succeeding interest payment date and of the principal and Sinking Fund Installments coming due on the next succeeding January 1. The Loan Agreement also obligates the Obligated Group to make payments sufficient to pay, at least 45 days prior to a redemption date of Series 2017 Bonds called for redemption (or such shorter period as DASNY shall permit), the amount, if any, required to pay the Redemption Price of such Series 2017 Bonds. DASNY has directed the Institution, and the Institution has agreed, to make the payments under the Loan Agreement directly to the Trustee.

### **Security for the Series 2017 Bonds**

The Series 2017 Bonds will be secured by the pledge and assignment by DASNY of (i) the Revenues, which include payments made by the Institution pursuant to the Loan Agreement, and/or any payments made under the Series 2017 Obligation issued by the Obligated Group under the Master Indenture, and (ii) all of the funds and accounts authorized pursuant to the General Resolution and established with respect to the Series 2017 Bonds by the Series 2017 Resolution (excluding the Arbitrage Rebate Fund), including the Debt Service Reserve Fund. Pursuant to the General Resolution, the funds and accounts established and pledged by the Series 2017 Resolution secure only the Series 2017 Bonds, and do not secure any other series of Bonds that may have been previously or may be hereafter issued under the General Resolution.

#### *The Debt Service Reserve Fund*

The Series 2017 Resolution establishes a Debt Service Reserve Fund for the Series 2017 Bonds authorized thereby to be funded at the time of the delivery of the Series 2017 Bonds. The Debt Service Reserve Fund is to be funded in an amount equal to the Debt Service Reserve Fund Requirement established for the Series 2017 Bonds, which is equal to the greatest amount required in the then current or any future year to pay the debt service on the Outstanding Series 2017 Bonds in such year, subject to modification for any federal tax law constraints (the “Debt

Service Reserve Fund Requirement”) which will be determined at the time of issuance of the Series 2017 Bonds and will not be increased thereafter. Upon issuance of the Series 2017 Bonds, the Debt Service Reserve Fund will be funded in the amount of \$6,210,114.05. The Debt Service Reserve Fund will be held by the Trustee, applied solely for the purposes specified in the General Resolution and pledged to secure the payment of the principal, Sinking Fund Installments and Redemption Price, if any, of and interest on the Series 2017 Bonds. Any payments to be made by an Institution to restore the Debt Service Reserve Fund are to be made directly to the Trustee for deposit to the Debt Service Reserve Fund. The Institution may deliver to the Trustee for deposit to the Debt Service Reserve Fund, a Reserve Fund Facility for all or any part of the applicable Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution. See “Appendix D - Summary of Certain Provisions of the General Resolution.”

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund, on the fourth (4<sup>th</sup>) Business Day prior to an interest or principal payment date for the Series 2017 Bonds, is less than the amount that is necessary to pay the principal and Sinking Fund Installments of and interest on the Series 2017 Bonds payable on such interest or principal payment date and Redemption Price or purchase price of Series 2017 Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption. The General Resolution requires that the Institution restore the Debt Service Reserve Fund to its requirement by paying the amount of any deficiency to the Trustee within five (5) days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement may be withdrawn and applied in accordance with the General Resolution. See “Appendix D - Summary of Certain Provisions of the General Resolution - Debt Service Reserve Fund.”

Any delivery of securities to the Trustee for deposit in a Debt Service Reserve Fund shall constitute a pledge of, and shall create a security interest in, such securities for the benefit of DASNY to secure performance of certain obligations of the Institution under the Loan Agreement and for the benefit of the Trustee to secure performance of the obligations of DASNY under the General Resolution.

#### *The Series 2017 Obligation*

Payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017 Bonds when due, and payment when due of the other obligations of the Institution to DASNY under the Loan Agreement, will be secured by payments made by the Obligated Group pursuant to the Series 2017 Obligation. The Series 2017 Obligation will be issued to DASNY for the benefit of the Bondholders of the Series 2017 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture” herein.

#### **Events of Default and Acceleration under the General Resolution**

The following constitute events of default under the General Resolution with respect to the Series 2017 Bonds: (i) a default by DASNY in the payment when due of the principal, Sinking Fund Installments and Redemption Price, if any, of or interest on any Series 2017 Bond; (ii) a default by DASNY in the due and punctual performance of certain covenants contained therein and, as a result thereof, the interest on the Series 2017 Bonds shall no longer be excludable from gross income under Section 103 of the Code; (iii) a default by DASNY in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2017 Bonds or in the General Resolution or in the Series 2017 Resolution, which continues for thirty (30) days after written notice is given to DASNY by the Trustee specifying such default and requiring the same to be remedied unless, if such default is not capable of being cured within thirty (30) days, DASNY has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof (such notice to be given in the Trustee’s discretion or at the written request of holders of not less than 25% in principal amount of Outstanding Series 2017 Bonds); or (iv) an “Event of Default,” as defined in the Loan Agreement, shall have occurred and shall be continuing and all sums payable by the Institution under the Loan Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). If the Obligated Group defaults under the Master Indenture or under any Obligation issued thereunder, such default shall constitute an Event of Default under the Loan Agreement. Unless all sums payable by the Institution under the Loan Agreement are declared immediately due and payable (and such declaration shall have not been annulled), an event of default under the Loan Agreement is not an event of default under the General Resolution.

The General Resolution provides that an event of default thereunder in respect of a Series of Bonds shall not in and of itself be or constitute an event of default in respect of any other Series of Bonds. If an event of default occurs and continues (except with respect to a default described in clause (ii) above), the Trustee may and shall, upon the written request of the holders of not less than 25% in principal amount of such Series of Bonds, by written notice to DASNY, (i) declare the principal of and interest on such Series of Bonds to be due and payable immediately, and (ii) request the Master Trustee to declare all applicable Obligations to be immediately due and payable. At the expiration of 30 days after 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 Bonds of the applicable Series then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the General Resolution with respect to such annulment.

The General Resolution provides that the Trustee shall give notice to the holders in accordance with the General Resolution of each event of default known to the Trustee within 30 days, in each case 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 and Redemption Price of, or interest on any of the applicable Series of Bonds, the Trustee shall be protected in withholding such notice thereof to the holders if such Trustee in good faith determines that the withholding of such notice is in the best interests of the holders of the applicable Series of Bonds.

### **Prior Bonds and Additional Bonds**

DASNY has previously issued Bonds pursuant to the General Resolution and related Series Resolutions. For a description of such Bonds, see “Obligations under the Master Indenture – *Prior and Concurrent Obligated Group Financings*” below.

In addition to such previously issued Bonds and the Series 2017 Bonds, the General Resolution authorizes the issuance by DASNY, from time to time, of other Series of Bonds to finance projects and for other specified purposes including refunding Outstanding Bonds or other notes or bonds issued on behalf of any New York Member of the Obligated Group. Each such Series of Bonds shall be separately secured by (i) the applicable Revenues, including payments under the applicable Obligation to be issued by the Obligated Group under the Master Indenture, and (ii) the funds and accounts established for such Series of Bonds pursuant to the applicable Series Resolution.

### **Obligations under the Master Indenture**

#### *General*

In addition to other sources of payment described herein, principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017 Bonds will be payable from moneys paid by the Obligated Group pursuant to the Series 2017 Obligation. Concurrently with the issuance of the Series 2017 Bonds, the Obligated Group will issue its Series 2017 Obligation pursuant to the Master Indenture and the Series 2017 Supplemental Indenture. The Series 2017 Obligation will be issued to DASNY, which will assign all payments under the Series 2017 Obligation to the Trustee as security for the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017 Bonds.

Pursuant to the Master Indenture, the Obligated Group is subject to covenants under the Master Indenture relating to the maintenance of debt service coverage ratios and other financial ratios and restricting, among other things, the incurrence of Indebtedness, the existence of liens on Property (as such terms are defined in the Master Indenture), consolidation and merger, and the disposition of assets and other financial provisions certain of which are applied both on a consolidated basis for the Institution and its affiliates (whether or not such affiliates are Members of the Obligated Group) and separately as measured with respect to Members of the Obligated Group (see “Appendix E - Summary of Certain Provisions of the Master Indenture”).

THE MASTER INDENTURE PERMITS THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY FOR THE SERIES 2017 OBLIGATION (*i.e.*, THE MORTGAGES AND THE GROSS REVENUES) ON A PARITY BASIS WITH SUCH OBLIGATIONS. THE LIENS OF THE MORTGAGES MAY BE RELEASED UPON SATISFACTION OF CERTAIN TESTS AND CONDITIONS. SUCH ADDITIONAL OBLIGATIONS WILL NOT BE SECURED BY THE MONEY OR INVESTMENTS IN ANY FUND OR ACCOUNT HELD BY THE TRUSTEE FOR THE SECURITY OF THE SERIES 2017 BONDS. See “Appendix E - Summary of Certain Provisions of the Master

Indenture - Permitted Releases and Permitted Modifications with Respect to the Mortgages” and “- Limitations on Indebtedness.”

Pursuant to the Master Indenture, and subject to the conditions set forth therein, additional parties may become a Member of the Obligated Group and existing Members of the Obligated Group may withdraw from the Obligated Group. See “Appendix E – Summary of Certain Provisions of the Master Indenture - Parties Becoming Members of the Obligated Group” and “- Withdrawal from the Obligated Group.” In addition, the Master Indenture permits the Obligated Group Representative to designate an additional business line or operating division of Touro College as a Health Care and Other Designated Enterprise or to un-designate an existing Health Care and Other Designated Enterprise of Touro College upon satisfaction of the terms and conditions set forth therein. See “Appendix E – Summary of Certain Provisions of the Master Indenture - Designation and Un-Designation of Health Care and Other Designated Enterprises.”

#### *Security for the Series 2017 Obligation*

Pursuant to the Master Indenture, the Series 2017 Obligation will be a general, joint and several obligation of the Obligated Group and will be secured by a lien on Gross Revenues and by the Mortgages. Outstanding Obligations (including the Series 2014 Obligations) and any Additional Obligations (including the Series 2017 Obligation) issued under the Master Indenture also are and will be secured by a lien on Gross Revenues, on parity with the lien securing the Series 2017 Obligation, and will be secured by the Mortgages, on a parity basis with the Series 2017 Obligation. See the caption “*Security Interest in Gross Revenues*” below for a description of the Gross Revenues pledged with respect to the Institution. The enforcement of the Obligations may be limited by, among other things, (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, and (v) federal bankruptcy laws, state receivership or fraudulent conveyance laws or similar laws affecting creditors’ rights that may affect the enforceability of the Master Indenture.

#### *Prior and Concurrent Obligated Group Financings*

In connection with the establishment of the Obligated Group and the execution of the Master Indenture in 2014, each Member of the Obligated Group incurred Indebtedness and the Obligated Group issued Obligations to secure such Indebtedness. The Obligated Group is issuing the Series 2017 Obligation to secure the Series 2017 Bonds as described herein and is expected to issue concurrently an additional Obligation in connection with bonds being issued for TUN, as further described below. The previously issued Obligations and the Obligations expected to be issued concurrently with the issuance of the Series 2017 Bonds are as follows:

Touro College (Institution) and New York Medical College (NYMC). DASNY issued its Touro College and University System Obligated Group Revenue Bonds, Series 2014A (the “Series 2014A Bonds”) in the aggregate principal amount of \$55,960,000 and its Touro College and University System Obligated Group Revenue Bonds, Series 2014B (Federally Taxable) in the aggregate principal amount of \$38,325,000 (the “Series 2014B Bonds,” together with the Series 2014A Bonds, the “Series 2014 Bonds”) and loaned the combined proceeds thereof to the Institution and NYMC to finance certain capital projects at the Institution’s facilities in Middletown, New York and at NYMC’s facilities in Westchester County, New York and to refinance certain previously incurred indebtedness of NYMC. The Obligated Group issued its Obligation Nos. 1 and 2 in the same respective principal amounts as such bonds as security for the obligations of the Institution and NYMC under the loan agreements between DASNY and the Institution and NYMC related to the Series 2014 Bonds.

DASNY is expected to issue the Series 2017 Bonds in the aggregate principal amount of \$64,015,000 and loan the proceeds thereof to the Institution. The Obligated Group is expected to issue its Obligation No. 6 in the same principal amount as the Series 2017 Bonds as security for the obligations of the Institution under the Loan Agreement.

Touro University Nevada (TUN). The City of Henderson, Nevada Public Improvement Trust (the “Nevada Issuer”) issued its Touro College and University System Obligated Group Revenue Bonds, Series 2014A in the aggregate principal amount of \$24,365,000 (the “Nevada 2014A Bonds”) and its Touro College and University System Obligated Group Revenue Bonds, Series 2014B (Federally Taxable) in the aggregate principal amount of \$11,905,000 (the “Nevada 2014B Bonds,” together with the Nevada 2014A Bonds, the “Nevada 2014 Bonds”) and loaned the combined proceeds thereof to TUN to refinance certain previously incurred

indebtedness and to finance certain capital projects at TUN’s campus in Henderson, Nevada. The Obligated Group issued its Obligation Nos. 3 and 4 in the same respective principal amounts as such bonds as security for the obligations of TUN under the loan agreements between the Nevada Issuer and TUN related to the Nevada 2014 Bonds.

Concurrently with the issuance of the Series 2017 Bonds, the Nevada Issuer is expected to issue its Touro College and University System Obligated Group Revenue Bonds, Series 2017 in the aggregate principal amount of \$10,965,000 (the “Nevada 2017 Bonds”) and loan the proceeds thereof to TUN to finance certain capital projects at TUN’s campus in Henderson, Nevada. The Obligated Group is expected to issue its Obligation No. 7 in the same principal amount as such bonds as security for the obligations of TUN under the loan agreement between the Nevada Issuer and TUN related to the Nevada 2017 Bonds.

Touro University (TU). The California Municipal Finance Authority (the “California Issuer”) issued its Touro College and University System Obligated Group Revenue Bonds, Series 2014 in the aggregate principal amount of \$17,545,000 (the “California 2014 Bonds”) and loaned the proceeds thereof to TU to refinance certain previously incurred indebtedness relating to TU’s campus in Vallejo, California. The Obligated Group issued its Obligation No. 5 in the same principal amount as such bonds as security for the obligations of TU under the loan agreement between the California Issuer and TU related to the California 2014 Bonds.

It is anticipated that the Nevada 2017 Bonds and the related Obligation will be issued simultaneously with the issuance of the Series 2017 Bonds and the Series 2017 Obligation. Following the issuance of the Series 2017 Bonds and the expected issuance of the Nevada 2017 Bonds, together with the related Obligations, the following Obligations will be outstanding under the terms of the Master Indenture:

<u>Obligation (related bonds)</u>	<u>Principal Outstanding</u>
No. 1 (Series 2014A Bonds)	\$ 55,960,000
No. 2 (Series 2014B Bonds)	32,335,000
No. 3 (Nevada 2014A Bonds)	23,765,000
No. 4 (Nevada 2014B Bonds)	10,060,000
No. 5 (California 2014 Bonds)	16,315,000
No. 6 (Series 2017 Bonds)	64,015,000
No. 7 (Nevada 2017 Bonds)	<u>10,965,000</u>
Total	<u>\$ 213,415,000</u>

*Security Interest in Gross Revenues*

As security for its obligations under the Master Indenture, the Obligated Group has pledged and granted to the Master Trustee a security interest in Gross Revenues.

Pursuant to the Master Indenture, “Gross Revenues” means all tuition, fees, receipts, revenues, income and other moneys (other than proceeds of borrowing) received or receivable by or on behalf of a Member of the Obligated Group (except as provided below) including, without limitation, contributions, donations, and pledges, whether in the form of cash, securities or other personal property and the rights to receive the same, whether in the form of accounts, payment on tangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof, as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the state of the applicable Obligated Group Member, and any proceeds from the sale of Mortgaged Property, any insurance or condemnation proceeds on the Mortgaged Property, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, however, (i) with respect to the College, Gross Revenues shall include only Designated Enterprise Revenues, and (ii) Gross Revenues shall not include gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of a Member of the Obligated Group under a Related Loan Agreement (as such term is defined in the Master Indenture).

As noted above, Gross Revenues pledged under the Master Indenture for the College includes only Designated Enterprise Revenues. “Designated Enterprise Revenues” means, with respect to each Health Care and Other Designated Enterprise (collectively, Touro College of Osteopathic Medicine, Touro College of Pharmacy, Touro College of Dental Medicine, Touro College School of Health Sciences, and such other business line or enterprise of the College which may be designated by the Obligated Group Representative in the future pursuant to the provisions

of the Master Indenture) all tuition, fees, receipts, revenues, income and other moneys (other than proceeds of borrowing) received or receivable by or on behalf of a Health Care or Other Designated Enterprise, including, without limitation, contributions, donations and pledges, designated by the donor or grantor to be used by or for such Health Care or Designated Enterprises, whether in the form of cash, securities or other personal property and the rights to receive the same, whether in the form of accounts, payment on tangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof, as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the state of the applicable Health Care and Other Designated Enterprise, any proceeds of the sale of Mortgaged Property, any insurance or condemnation proceeds on the Mortgaged Property, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, and payments associated with Qualified Financial Instruments; provided, however, Designated Enterprise Revenues shall not include gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of a Member of the Obligated Group under a Related Loan Agreement (as such term is defined in the Master Indenture).

***None of the revenues received by the Institution from the Series 2017 College Project (as defined below) being financed in part from the proceeds of the Series 2017 Bonds are pledged to the payment of the Bonds and will not be Gross Revenues under the terms of the Master Indenture.***

#### *2014 and 2017 Mortgages*

New York Mortgages. To secure payments required to be made by the Obligated Group under Obligations related to the Series 2014 Bonds (Obligation Nos. 1 and 2) and all other Obligations issued pursuant to the Master Indenture, the College granted DASNY a mortgage (the “College 2014 Mortgage”) on its property located at 1700 Union Boulevard in Bay Shore, New York (the “College 2014 Mortgaged Property”). To secure payments required to be made by the Obligated Group under the Obligations related to the Series 2014 Bonds (Obligation Nos. 1. And 2) and all other Obligations issued pursuant to the Master Indenture, NYMC granted DASNY a mortgage (the “NYMC Mortgage”) on its properties located at (i) 19 Skyline Drive, (ii) 7 Dana Road and (iii) 30 Sunshine Cottage Road (also known as 15 Dana Road), all in Westchester County, New York (collectively, the “NYMC Mortgaged Property”).

To secure payments required be made by the Obligated Group under Obligation No. 6 (also referred to as the Series 2017 Obligation) and all other Obligations issued pursuant to the Master Indenture, upon acquisition of the real property being financed with the Series 2017 Bonds, the College will grant DASNY a mortgage (the “College 2017 Mortgage,” and together with the College 2014 Mortgage, the “College Mortgages”) on the acquired property located at 625 West 59<sup>th</sup> Street in New York, New York (the “College 2017 Mortgaged Property” or the “59<sup>th</sup> Street Property,” and together with the College 2014 Mortgaged Property and the NYMC Mortgaged Property, the “New York Mortgaged Property”). The College 2017 Mortgaged Property will consist of 4 condominium units representing 4 floors in a newly-constructed 43-story building.

DASNY will assign the College 2017 Mortgage to the Master Trustee when the College 2017 Mortgaged Property is acquired by the College and the College 2017 Mortgage is recorded. See “PART 5 – PLAN OF FINANCE” and “STRATEGIC DIRECTION AND CAPITAL PROJECTS – Lander College for Women Housing” in Appendix B-1 for additional information related to the College’s acquisition of the College 2017 Mortgaged Property.

Nevada Mortgages. To secure payments required to be made by the Obligated Group under Obligation Nos. 3 and 4 (see “- *Prior and Concurrent Obligated Group Financings*” above) and all other Obligations issued pursuant to the Master Indenture, TUN granted a deed of trust to the trustee named therein for the benefit of the Master Trustee (the “Nevada 2014 Mortgage”) on its property constituting its campus in Henderson, Nevada (the “Nevada Mortgaged Property”). To secure payments required to be made by the Obligated Group under Obligation No. 7 (see “- *Prior and Concurrent Obligated Group Financings*” above) and all other Obligations issued pursuant to the Master Indenture, TUN will grant an additional deed of trust to the trustee named therein for the benefit of the Master Trustee (the “Nevada 2017 Mortgage,” and together with the Nevada 2014 Mortgage, the “Nevada Mortgages”) on the Nevada Mortgaged Property.

California Mortgage. To secure payments required to be made by the Obligated Group under Obligation No. 5 (see “- *Prior and Concurrent Obligated Group Financings*” above) and all other Obligations issued pursuant to the

Master Indenture, TU granted a deed of trust to the trustee named therein for the benefit of the Master Trustee (the “California Mortgage,” together with the College Mortgages, the NYMC Mortgage and the Nevada Mortgages, the “Mortgages”) on its property constituting its campus in Vallejo, California (the “California Mortgaged Property,” together with the New York Mortgaged Property and the Nevada Mortgaged Property, the “Mortgaged Property”).

See “Appendix B-1 - Touro College and University System Obligated Group - Organization and Operations - Overview of Touro Real Estate” for additional information relating to the Mortgaged Property and “PART 8 – BONDHOLDERS’ RISKS - Factors Affecting the Obligated Group - Environmental Matters - California.”

Each Mortgage also includes a security interest in certain fixtures, furnishings and equipment located on or at the related Mortgaged Property. Pursuant to the Master Indenture, future Obligations issued thereunder may be secured by the Mortgages, with all proceeds realized from the Mortgages to be applied proportionally and ratably to all Obligations secured thereby and issued under the Master Indenture. In addition, the Master Trustee is permitted to release certain portions of the Mortgaged Property under certain conditions set forth in the Master Indenture, including the consent of DASNY. Additional Obligations issued under the Master Indenture will be secured by the Mortgages on a parity basis with the Series 2017 Obligation. See “Appendix E - Summary of Certain Provisions of the Master Indenture - Master Trust Indenture - Security; Restrictions on Encumbering Property; Payment of Principal and Interest - Grant of Mortgage,” “- Transfers of Property,” and “- Permitted Releases and Permitted Modifications with Respect to the Mortgage.”

#### *Permitted Liens*

Under the Master Indenture, each Member of the Obligated Group has agreed that it will not create or suffer to be created or permit the existence of any Lien on Property (including subordinated liens) constituting Mortgaged Property or Gross Revenues hereunder now owned or hereafter acquired by it other than Permitted Liens. Property which is not Mortgaged Property or Gross Revenues is not subject to such limitations and may be encumbered without limitation under the Master Indenture. For a description of Permitted Liens under the Master Indenture, See “Appendix E - Summary of Certain Provisions of the Master Indenture - Limitations on Creation of Liens.”

#### **Other Indebtedness and Obligations**

Pursuant to the Master Indenture, each Member of the Obligated Group has covenanted and agreed that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness of the Obligated Group, such Indebtedness could not be incurred pursuant to the Master Indenture. In addition, except as may be otherwise permitted under the Master Indenture, each Member of the Obligated Group has further covenanted and agreed that it will not incur Additional Indebtedness without the written consent of the College, in its capacity as the Obligated Group Representative, as evidenced by an Officer’s Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness and certifying that following the incurrence of such Additional Indebtedness, there shall be no Event of Default under the Master Indenture.

Pursuant to the Master Indenture, Long-Term Indebtedness that does not constitute Obligations may be incurred if, prior to incurrence of the Long-Term Indebtedness, there is delivered to the Master Trustee:

(i) An Officer’s Certificate certifying that the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of an Officer’s Certificate for which there are Audited Financial Statements of Touro (as such term is defined in the Master Indenture) available taking into account all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness as if such Long Term Indebtedness had been incurred at the beginning of such period, is not less than 1.25, and further giving effect to the refunding of any Indebtedness with the proposed issuance of Long-Term Indebtedness; or

(ii) (A) an Officer’s Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in subparagraph (i) above, excluding the proposed Long-Term Indebtedness, is at least 1.40 and (B) a written report of a Consultant demonstrating that the forecasted Long Term Debt Service Coverage Ratio is not less than 1.30 for (1) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two (2) full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (2) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two (2) full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by forecasted financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such forecasted financial

statements for the Obligated Group are based; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

Long-Term Indebtedness that constitutes Obligations may be incurred if, prior to the incurrence of the Long-Term Indebtedness, there is delivered to the Master Trustee:

(i) An Officer's Certificate certifying that the Master Obligations' Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of an Officer's Certificate for which there are Audited Financial Statements of Touro (as such term is defined in the Master Indenture) available, taking into account all Long-Term Indebtedness which are Obligations incurred after such period and the proposed Long-Term Indebtedness which are Obligations as if such Long Term Indebtedness had been incurred at the beginning of such period, is not less than 1.60; or

(ii) (A) an Officer's Certificate demonstrating that the Master Obligations' Long-Term Debt Service Coverage Ratio for the period mentioned in subparagraph (i), excluding the proposed applicable Long Term Indebtedness, is at least 1.75, and (B) a written report of a Consultant demonstrating that the forecasted Master Obligations' Long-Term Debt Service Coverage Ratio is not less than 1.60 for (1) in the case of applicable Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two (2) full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (2) in the case of applicable Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two (2) full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by forecasted financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such forecasted financial statements for the Obligated Group are based.

For further information relating to the incurrence of Additional Indebtedness by Members of the Obligated Group under the Master Indenture, including tests related to the incurrence of Additional Indebtedness in addition to those set forth above, see "Appendix E - Summary of Certain Provisions of the Master Indenture - Limitations on Indebtedness."

## General

**The Series 2017 Bonds will not be a debt of the State nor will the State be liable on them. DASNY has no taxing power. Neither the State nor DASNY has any responsibility to make payments with respect to the Series 2017 Bonds except for DASNY's responsibility to make payments from the applicable Revenues, and from amounts held in the funds and accounts established pursuant to the applicable Series 2017 Resolution and pledged therefor.**

## PART 3 -THE SERIES 2017 BONDS

*Set forth below is a narrative description of certain provisions relating to the Series 2017 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the General Resolution, the Series 2017 Resolution and the Loan Agreement, copies of which are on file with DASNY and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the General Resolution" for a more complete description of certain provisions of the Series 2017 Bonds.*

The Series 2017 Bonds will be issued pursuant to the Resolutions. The Series 2017 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 2017 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 2017 Bonds, payments of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017 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 (as hereinafter defined) of the Series 2017 Bonds is the responsibility of the DTC Participants. If at any time the book-entry only system is discontinued for the Series 2017 Bonds, the Series 2017 Bonds will be exchangeable for fully registered Series 2017 Bonds of the same Series 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 General Resolution. See “Book-Entry Only System” below and “Appendix D - Summary of Certain Provisions of the General Resolution.”

**Description of the Series 2017 Bonds**

The Series 2017 Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2018 and on each January 1 and July 1 thereafter) at the rates set forth on the inside cover page of this Official Statement. The Series 2017 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2017 Bonds will be payable by check mailed to the registered owners or, at the option of the registered owner of at least \$1,000,000 of Series 2017 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 2017 Bonds are not registered in the name of DTC or its nominee, Cede & Co., the principal, Sinking Fund Installments and Redemption Price of the Series 2017 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.

**Redemption of the Series 2017 Bonds and Purchase in Lieu of Optional Redemption**

The Series 2017 Bonds are subject to optional, mandatory and special redemption, and purchase in lieu of optional redemption as described below.

*Optional Redemption of Series 2017 Bonds*

The Series 2017 Bonds maturing on or before January 1, 2028 are not subject to optional redemption prior to maturity. The Series 2017 Bonds maturing January 1, 2029 and thereafter are subject to redemption prior to maturity at the option of DASNY, in consultation with the Institution, on or after January 1, 2028, in any order, as a whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the Series 2017 Bonds to be redeemed, plus accrued interest to the redemption date.

*Purchase in Lieu of Optional Redemption of Series 2017 Bonds*

The Series 2017 Bonds maturing January 1, 2029 and thereafter also are subject to purchase in lieu of optional redemption prior to maturity at the election of the Institution, with the consent of DASNY, on or after January 1, 2028, in any order, as a whole or in part at any time, at a price equal to 100% of the principal amount of Series 2017 Bonds to be purchased (the “Purchase Price”), plus accrued interest to the date set for purchase (the “Purchase Date”).

*Mandatory Redemption of Series 2017 Bonds*

In addition, the Series 2017 Bonds maturing on January 1, 2033, January 1, 2038, January 1, 2042 and January 1, 2047 are subject to redemption, in part, on each January 1 of the years and in the principal amounts set forth below, at a Redemption Price equal to 100% of the principal amount of Series 2017 Bonds to be redeemed, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on January 1 of each year shown below, the principal amount of Series 2017 Bonds of each maturity specified for each of the years shown below:

<b>Series 2017 Term Bond Maturing January 1, 2033</b>		<b>Series 2017 Term Bond Maturing January 1, 2038</b>		<b>Series 2017 Term Bond Maturing January 1, 2042</b>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2030	\$690,000	2034	\$845,000	2039	\$1,970,000
2031	720,000	2035	880,000	2040	2,070,000
2032	760,000	2036	935,000	2041	3,395,000
2033 <sup>†</sup>	805,000	2037	980,000	2042 <sup>†</sup>	3,565,000
		2038 <sup>†</sup>	1,025,000		

<sup>†</sup> Final Maturity

**Series 2017**  
**Term Bond Maturing**  
**January 1, 2047**

<u>Year</u>	<u>Amount</u>
2044	\$4,715,000
2045	11,450,000
2046	12,040,000
2047 <sup>†</sup>	12,655,000

<sup>†</sup> Final Maturity

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2017 Bonds entitled to such Sinking Fund Installment (a) purchased with money in the Debt Service Fund pursuant to the Resolutions, (b) redeemed at the option of DASNY, (c) purchased by an Institution or DASNY and delivered to the Trustee for cancellation, or (d) deemed to have been paid in accordance with the General Resolution. Series 2017 Bonds purchased with money in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2017 Bonds so purchased payable on the next succeeding January 1. Series 2017 Bonds redeemed at the option of DASNY, purchased by DASNY or the Institution (other than from amounts on deposit in the applicable Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the General Resolution will be applied in satisfaction, in whole or in part, or one or more Sinking Fund Installments as DASNY may direct in its discretion. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2017 Bonds of such maturity so purchased will be reduced for such year.

*Special Redemption of Series 2017 Bonds*

Special Mandatory Redemption. The Series 2017 Bonds are also subject to redemption prior to maturity in whole at a Redemption Price equal to the initial issue price of Series 2017 Bonds as shown on the inside cover page hereof, plus accrued interest to the redemption date (i) on July 1, 2018 if the Institution has not completed the purchase of the 59<sup>th</sup> Street Property on or before May 25, 2018 or (ii) on any date from and after February 1, 2018 to and including July 1, 2018 upon receipt of notification by the Authority that the Institution has determined that it will not complete the purchase of the 59<sup>th</sup> Street Property on or before May 25, 2018.

Special Optional Redemption. Following the Institution's purchase of the 59<sup>th</sup> Street Property, the Series 2017 Bonds are subject to redemption prior to maturity at the option of DASNY, as a whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the Series 2017 Bonds to be redeemed, plus accrued interest to the redemption date, (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the portion of the Series 2017 Project to which such proceeds relate, and which proceeds are not otherwise applied as permitted under the Master Indenture and the Loan Agreement and (ii) from unexpended proceeds of the Series 2017 Bonds upon the abandonment of all or a portion of the Series 2017 Project due to a legal or regulatory impediment.

*Selection of Bonds to be Redeemed*

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

### *Notice of Redemption*

The Trustee is to give notice of the redemption of the Series 2017 Bonds in the name of DASNY, by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date, to the registered owners of any Series 2017 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of DASNY not more than 10 days prior to the date such notice is given. Each notice of redemption may state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of sufficient money to pay the Redemption Price of the Series 2017 Bonds to be redeemed. The failure of any owner of a Series 2017 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2017 Bond.

DASNY's obligation to optionally redeem a Series 2017 Bond called for redemption may be conditioned upon the availability of sufficient money to pay the Redemption Price for all of the Series 2017 Bonds to be redeemed on the Redemption Date. If sufficient money is available on the Redemption Date to pay the Redemption Price of the Series 2017 Bonds to be redeemed, the former registered owners of such Series 2017 Bonds will have no claim under the General Resolution or otherwise for payment of any amount other than the Redemption Price. If redemption has been conditioned upon the availability of sufficient money and sufficient money is not available on the Redemption Date for payment of the Redemption Price, the Series 2017 Bonds called for redemption will continue to be registered in the name of the registered owners on the Redemption Date, who will be entitled to the payment of the principal of and interest on such Series 2017 Bonds in accordance with their respective terms.

If on the redemption date money for the redemption of the Series 2017 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on such Series 2017 Bonds will cease to accrue from and after the redemption date and such Series 2017 Bonds will no longer be considered to be Outstanding.

### *Notice of Purchase in Lieu of Optional Redemption and its Effect*

Notice of purchase of the Series 2017 Bonds will be given in the name of the Institution to the registered owners of the Series 2017 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2017 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2017 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2017 Bonds are called for purchase in lieu of an optional redemption, such purchase will not extinguish the indebtedness of DASNY evidenced thereby or modify the terms of the Series 2017 Bonds. Such Series 2017 Bonds need not be cancelled, and will remain Outstanding under the Resolutions and continue to bear interest.

The Institution's obligation to purchase a Series 2017 Bond or cause it to be purchased may be conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2017 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2017 Bonds to be purchased, the former registered owners of such Series 2017 Bonds will have no claim thereunder or under the Resolutions or otherwise for payment of any amount other than the Purchase Price. If purchase has been conditioned upon the availability of sufficient money and sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2017 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2017 Bonds in accordance with their terms.

If not all of the Outstanding Series 2017 Bonds of a maturity are to be purchased, the Series 2017 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2017 Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2017 Bonds, see "Appendix D - Summary of Certain Provisions of the General Resolution."

### **Book-Entry Only System**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 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 2017 Bond certificate will be issued for each maturity of the Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to DTC. If less than all of the Series 2017 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 Series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 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 2017 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 2017 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 Underwriter, 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 2017 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 2017 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 2017 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that 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 2017 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 2017 BONDS.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2017 Bonds (other than under the caption "PART 12 - TAX MATTERS" herein) means Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2017 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 2017 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.

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 2017 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2017 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 2017 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2017 BONDS; OR (VI) ANY OTHER MATTER.

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## PART 4 -PRINCIPAL AND INTEREST REQUIREMENTS

The following table sets forth the amounts required to be paid by the Obligated Group during each fiscal year ending June 30 for the debt service on the Obligations issued under the Master Indenture (rounded to the nearest dollar), after giving effect to the issuance of the Series 2017 Bonds and the Nevada 2017 Bonds expected to be issued concurrently with the Series 2017 Bonds (see “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture – *Prior and Concurrent Obligated Group Financings*”). For purposes of this table, amounts due on July 1<sup>st</sup> of each year are reflected in the prior fiscal year since the Obligated Group will be required to pay such amounts under the applicable financing documents prior to the end of such fiscal year. The following table does not set forth any amounts due by Members of the Obligated Group with respect to indebtedness that is not secured by an Obligation issued under the Master Indenture.

Fiscal Year Ending June 30	Series 2017 Bonds		Nevada 2017 Bonds <sup>(1)</sup>		2014 Bonds <sup>(1)</sup>		Total Debt Service on Obligations
	Principal Payments	Interest Payments <sup>(2)</sup>	Principal Payments	Interest Payments <sup>(2)</sup>	Principal Payments	Interest Payments	
2018	\$ 0	\$ 0	\$ 0	\$ 0	\$3,780,000	\$6,994,428	\$10,774,428
2019	0	0	0	229,363	3,875,000	6,879,533	10,983,896
2020	0	3,155,600	395,000	450,825	4,000,000	6,747,715	14,749,140
2021	0	3,155,600	410,000	434,725	4,145,000	6,593,980	14,739,305
2022	0	3,155,600	425,000	420,150	4,305,000	6,412,493	14,718,243
2023	0	3,155,600	435,000	407,250	4,500,000	6,209,503	14,707,353
2024	0	3,155,600	450,000	393,975	4,705,000	5,991,438	14,696,013
2025	0	3,155,600	465,000	380,250	4,935,000	5,746,556	14,682,406
2026	0	3,155,600	475,000	366,150	5,195,000	5,474,925	14,666,675
2027	0	3,155,600	495,000	346,031	5,455,000	5,188,819	14,640,450
2028	0	3,155,600	525,000	319,256	5,745,000	4,887,244	14,632,100
2029	0	3,155,600	550,000	291,038	6,055,000	4,568,553	14,620,191
2030	690,000	3,138,350	580,000	261,375	3,960,000	4,316,572	12,946,297
2031	720,000	3,103,100	615,000	230,006	4,160,000	4,117,956	12,946,062
2032	760,000	3,066,100	645,000	196,931	4,385,000	3,891,094	12,944,125
2033	805,000	3,026,975	675,000	166,500	4,625,000	3,651,881	12,950,356
2034	845,000	2,985,725	705,000	138,900	4,875,000	3,399,650	12,949,275
2035	880,000	2,942,600	735,000	110,100	5,150,000	3,129,694	12,947,394
2036	935,000	2,897,225	765,000	80,100	5,435,000	2,840,881	12,953,206
2037	980,000	2,849,350	795,000	48,900	5,740,000	2,535,969	12,949,219
2038	1,025,000	2,799,225	825,000	16,500	6,065,000	2,213,856	12,944,581
2039	1,970,000	2,724,350	–	–	6,405,000	1,873,594	12,972,944
2040	2,070,000	2,623,350	–	–	6,765,000	1,514,225	12,972,575
2041	3,395,000	2,486,725	–	–	5,925,000	1,166,687	12,973,412
2042	3,565,000	2,312,725	–	–	6,265,000	831,462	12,974,187
2043	4,515,000	2,133,300	–	–	5,825,000	498,988	12,972,288
2044	4,715,000	1,925,125	–	–	6,160,000	169,400	12,969,525
2045	11,450,000	1,521,000	–	–	–	–	12,971,000
2046	12,040,000	933,750	–	–	–	–	12,973,750
2047	12,655,000	316,375	–	–	–	–	12,971,375

<sup>(1)</sup> See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS - Obligations under the Master Indenture – *Prior and Concurrent Obligated Group Financings*” for a description of the Nevada 2017 Bonds and the 2014 Bonds (consisting of the Series 2014 Bonds, the Nevada 2014 Bonds and the California 2014 Bonds).

<sup>(2)</sup> Reflects capitalized interest on the Series 2017 Bonds through July 1, 2019 and capitalized interest on the Nevada 2017 Bonds through January 1, 2019.

## PART 5 - PLAN OF FINANCE

A portion of the proceeds of the Series 2017 Bonds will be loaned by DASNY to the College and, together with other available funds, are expected to be used to (i) finance the acquisition and interior “fit out” of or renovations to the College 2017 Mortgaged Property, to be used for student housing facilities and related student services for an undergraduate division of Touro College, the Lander College for Women (the “Series 2017 College Project”), (ii) fund a deposit to the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement, (iii) pay capitalized interest on the Series 2017 Bonds through July 1, 2019, and (iv) pay the Costs of Issuance of the Series 2017 Bonds.

The College 2017 Mortgaged Property consists of 4 condominium units representing 4 floors in a newly-constructed 43-story building. The Institution has entered into a Sale-Purchase Agreement dated as of September 20, 2017 (the “Purchase Agreement”) with the current owner of the College 2017 Mortgaged Property pursuant to which the Institution has agreed to purchase, and such owner has agreed to sell to the Institution, the College 2017 Mortgaged Property upon the terms and conditions set forth in the Purchase Agreement. The parties are currently scheduled to close on such purchase on December 28, 2017. The closing of such purchase and sale is subject to standard closing conditions in the industry (some of which are not within the control of the Institution). Failure to satisfy such conditions or other default by either party may result in the purchase and sale being delayed or terminated. In addition, under the Purchase Agreement each party has the unilateral right to delay the closing until January 31, 2018 and the parties may otherwise mutually agree to delay the closing date to a date after January 31, 2018. See “PART 3 - THE SERIES 2017 BONDS – Redemption of the Series 2017 Bonds and Purchase in Lieu of Optional Redemption – Special Redemption of Series 2017 Bonds” for redemption provisions relating to the failure to close on the purchase of the College 2017 Mortgaged Property by May 25, 2018. In addition, although the applicable zoning provisions for the building in which the College 2017 Mortgaged Property is located permit a portion of the building to be used as intended by the Institution (that is, for dormitory use), the current temporary certificate of occupancy describes the permitted use of the College 2017 Mortgaged Property as office use. Under the Purchase Agreement, the Seller has agreed to aid the Institution to change the permitted use from office to dormitory and the Institution expects that such change in use will be granted upon building department approval of plans for the conversion. See “PART 3 - THE SERIES 2017 BONDS – Redemption of the Series 2017 Bonds and Purchase in Lieu of Optional Redemption – Special Redemption of Series 2017 Bonds” for the redemption provisions relating to failure to expend the bond proceeds due to legal or regulatory issues.

## PART 6 -ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows (rounded to the nearest dollar):

	<u>Total</u>
<u>Sources of Funds:</u>	
Principal Amount of Series 2017 Bonds	\$ 64,015,000
Plus: Net Original Issue Premium	5,854,224
Institution Contribution	213,419
Total Sources of Funds	<u>\$ 70,082,643</u>
<u>Uses of Funds:</u>	
Deposit to the Construction Fund	\$ 57,502,029
Deposit to the Debt Service Reserve Fund	6,210,114
Deposit to the Capitalized Interest Account of the Construction Fund	4,759,697
Costs of Issuance	805,726
Underwriter’s Discount	805,077
Total Uses of Funds	<u>\$ 70,082,643</u>

## PART 7 -THE OBLIGATED GROUP

The Institution, together with New York Medical College, a New York not-for-profit corporation (“NYMC”), Touro University, a California nonprofit public benefit corporation (“TU”), and Touro University Nevada, a Nevada

not-for-profit corporation (“TUN”), and their respective affiliated entities, own and operate a system of higher education institutions (the “System”). Under the Master Indenture, the Institution, NYMC, TU and TUN are the members of the obligated group (each such member, a “Member of the Obligated Group,” and such group, the “Obligated Group” or the “Touro College and University System Obligated Group”). The Members of the Obligated Group entered into the Master Indenture in connection with the incurrence of indebtedness by each Member to finance or refinance certain capital improvement projects of such Members and, in connection therewith and as security for such indebtedness, simultaneously issued Obligations under the Master Indenture relating to such indebtedness. For a description of the Obligations previously issued under the Master Indenture or expected to be issued under the Master Indenture concurrently with the Series 2017 Obligation, see the caption “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture – *Prior and Concurrent Obligated Group Financings*” in this Official Statement.

See Appendix B-1 to this Official Statement for additional information regarding the history, organization, operations and financial performance of the Institutions and the other Members of the Obligated Group.

## **PART 8 - BONDHOLDERS’ RISKS**

The following is a discussion of certain risks that could affect payments to be made by the Institution or the other Members of the Obligated Group with respect to the Series 2017 Bonds. Such discussion is not, and is not intended to be, exhaustive and 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 2017 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 and in Appendices C, D and E, copies of which are available as described herein.

### **General**

The Series 2017 Bonds are special, limited obligations of DASNY payable by DASNY solely from payments to be made by the Institution pursuant to the Loan Agreement, which payments are secured by the Series 2017 Obligation to be issued by the Obligated Group with respect to the Series 2017 Bonds. No representation or assurance can be given that the Institution individually or the Members of the Obligated Group collectively will realize revenues in amounts sufficient to make such payments under the Loan Agreement and under all the Series 2017 Obligation. The Gross Revenues of the Obligated Group pledged under the Master Indenture primarily include those generated by the operations of the Obligated Group related to health care education and the mortgages are on certain properties of the Obligated Group Members. Obligated Group revenues are substantially reliant on student demand for health care education, competitive forces, availability of financial aid and regulatory considerations related to the operation of the Obligated Group’s osteopathic schools, medical school and other health professions educational programs, as well as on the capabilities of the management of the Obligated Group and future changes in economic and other conditions. One of the Members of the Obligated Group, the Institution, has operations in addition to those related to health care education and the consolidated financial statements include the revenues, expenses, assets and liabilities of entities in addition to the Members of the Obligated Group. Revenues of each Member of the Obligated Group may be used to support the operations of each other and of such other consolidated entities. Therefore, the ability of the Obligated Group to satisfy its obligations under the Master Indenture is also affected by such factors as they affect the demand for higher education generally.

**The Series 2017 Bonds will not be a debt of the State nor will the State be liable on them. DASNY has no taxing power. Neither the State nor DASNY has any responsibility to make payments with respect to the Series 2017 Bonds except for DASNY’s responsibility to make payments from the Revenues, and from amounts held in the funds and accounts established pursuant to the Series 2017 Resolution and pledged therefor.**

## **Factors Affecting the Financial Performance of the Obligated Group**

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Obligated Group's operations and financial performance to an extent that cannot be determined at this time.

### *Student Enrollment; Tuition*

Tuition revenues are the largest source of revenue for each Member of the Obligated Group. The adequacy of Obligated Group revenues will depend on maintaining enrollment levels as well as being able to charge sufficient rates for tuition and other fees (including housing fees). Competition for students is substantial. The Obligated Group competes with other private and public colleges and universities in the markets in which the Obligated Group operates.

In addition, the ability of the Members of the Obligated Group to attract students to their respective programs is dependent, in large part, upon the expected job market in the relevant fields at the time prospective students expect to graduate. In addition to general economic conditions impacting expected job markets, a large number of the programs of study offered by the Obligated Group are in the healthcare industry. Ongoing legislative proposals to amend, repeal or replace The Patient Care and Affordable Care Act provides uncertainty in the healthcare industry and could negatively impact the forecasted employment market in the sector, ultimately resulting in decreased enrollment in the Obligated Group's healthcare programs.

There can be no assurance that the Obligated Group will be able to maintain sufficient enrollment or be able to charge sufficient rates for tuition and other fees to generate revenues sufficient to pay their obligations with respect to the Series 2017 Bonds.

### *Ability to Control Expenses*

The ability of the Obligated Group to generate net revenues available for debt service will depend in part on each Member's ability to control expenses. The inability of the Obligated Group to control expenses, particularly during periods of inflation, while maintaining the quality of higher education services, could adversely impact the Obligated Group's operations and financial performance. Such expenses include both the cost of personnel and the cost of owning or leasing real property. Certain Members of the Obligated Group lease certain properties and are, therefore, subject to negotiating renewals of such leases.

### *Reliance on Financial Aid*

Many students enrolled in programs offered by Members of the Obligated Group are dependent upon financial aid to pay tuition and other costs of their education. A substantial percentage of the students borrow funds under several federal and other loan programs or receive grants under federal or state programs. Many students receive some form of scholarship or tuition discount, which scholarships and discounts are important in maintaining enrollment but can also adversely affect revenues. Significant changes in the availability of federal loan programs and other forms of student aid could adversely affect the ability of students to attend a Member of the Obligated Group with a resultant adverse impact on the financial condition of the Obligated Group and the Institution's ability to meet its obligations under the Loan Agreement and the Obligated Group's ability to meet its obligations under the Series 2017 Obligation, in each case with respect to debt service on the Series 2017 Bonds. In addition, the Members of the Obligated Group must meet certain requirements in order for students enrolled in their programs to qualify for certain federal student aid programs. Failure to meet such requirements may jeopardize the eligibility of students for such aid programs or may require that refund payments be made to the federal government. See the caption "FINANCIAL AID" in Appendix B-1 to this Official Statement.

### *Endowment Income*

Each Member of the Obligated Group plans its budget to include some spending from endowment income each year. The earnings and returns on investments in the endowment fund are subject to market volatility and are dependent upon a variety of economic conditions that cannot be predicted and that could have an adverse effect on such investment income.

### *Project Risks*

A portion of the proceeds of the Series 2017 Bonds is being used to purchase and renovate (or to reimburse the costs of purchasing and renovating) the College 2017 Mortgaged Property. In addition, the Members of the

Obligated Group are currently undertaking and plan to undertake certain capital and technological improvements in the near future (see the caption “STRATEGIC DIRECTION AND CAPITAL PROJECTS” in Appendix B-1 to this Official Statement) and may decide to acquire, construct, renovate and/or equip new or existing properties. Construction and information technology projects are subject to a variety of risks, including delays of required approvals or permits, strikes, shortages of materials or labor, inability of contractors or vendors to perform, and adverse weather conditions. Cost overruns could cause the costs to exceed available funds. Delays in completing construction could also result in inability to commence or conduct programs as planned, thereby affecting revenues or expenses.

In addition, although the applicable zoning provisions for the building in which the College 2017 Mortgaged Property is located permit a portion of the building to be used as intended by the Institution (that is, for dormitory use), the current temporary certificate of occupancy describes the permitted use of the College 2017 Mortgaged Property as office use. No assurances can be given that the Institution will be able to obtain certificates of occupancy for the College 2017 Mortgaged Property for its intended use as a dormitory.

#### *Damage or Destruction*

Although each Member of the Obligated Group will be required to maintain certain insurance on its Mortgaged Property as set forth in the Master Indenture, there can be no assurance that the Obligated Group will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

#### *Changes in Administration*

Future changes in the trustees or key administration personnel could affect the capability of the administration to effectively manage the Obligated Group, individually or as a consolidated enterprise.

#### *Accreditations*

Each Member of the Obligated Group and certain programs offered by Members of the Obligated Group must periodically apply for the renewal of applicable accreditations in order to (i) continue awarding degrees and providing courses of study related to such accreditations and (ii) maintain eligibility for most financial aid programs. The loss of an accreditation could adversely affect the ability of such Member to attract students which would have an adverse effect on revenues and other resources.

#### *Affiliation Agreements*

Certain Members of the Obligated Group have affiliation agreements with certain health care providers (such as hospitals and clinics) pursuant to which students receive clinical training at the facilities of such providers. There is competition from other schools (including some outside of the United States) for such clinical training assignments. The failure to maintain such affiliation agreements, the inability to obtain affiliation agreements as program offerings expand, the inability to replace any terminated affiliation agreements, increases in the amount paid by such Members of the Obligated Group or decreases in amounts paid to such Members of the Obligated Group could adversely affect the ability of the Members to attract students and could have an adverse effect on revenues and other resources.

#### *Expansion; Program Changes*

Future expansions of existing locations or expansions to new locations, as well as new or altered educational programs, would require a material investment of capital and may involve start-up costs and a ramp-up period that could have an adverse effect on revenues and other resources.

#### *Reduced Giving*

Each Member of the Obligated Group derives income from unrestricted gifts and donations which supplement operating revenues to finance its operations and capital needs. Although management of the Obligated Group expects gifts and donations to remain at least at their current level, there can be no assurance that this non-operating revenue will not decrease, adversely affecting the financial condition of the Obligated Group.

#### *Research*

Certain Members of the Obligated Group, particularly NYMC, derive income from sponsored research activity. Federal support for research funding has diminished in recent years and there is increased competition for such

reduced funding. The inability to maintain federal research funding or develop private funding sources could adversely affect the revenues of the Members of the Obligated Group.

#### *Environmental Matters*

Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the Obligated Group. For example, if property of the Obligated Group is determined to be contaminated by hazardous materials, the Obligated Group could be liable for significant clean up costs even if it were not responsible for the contamination.

#### *Environmental Matters - California*

TU purchased its campus in Vallejo, California that constitutes the California Mortgaged Property subject to certain environmental restrictions in land use and covenanted (as described below) to comply with such restrictions. The California Mortgaged Property is located on Mare Island, which was previously the location of the Mare Island Naval Shipyard (“MINS”), established in the 1850s as the U.S. Navy’s first base on the Pacific Ocean. Until its closure in 1996, MINS constructed surface ships and submarines for the U.S. Navy and served as the riverine training center for the U.S. Navy during the Vietnam War. As a result of these activities, the California Mortgaged Property contained polychlorinated biphenyl contamination and other hazardous substances and was subject to remediation. TU has contained and encapsulated the appropriate portions of the California Mortgaged Property. Pursuant to two separate Covenant and Agreements, both between Lennar Mare Island, LLC and the California Department of Toxic Substances Control (the “Department”), the Department and the U.S. Environmental Protection Agency have determined that the site does not present an unreasonable risk to human health and the environment so long as the containment is maintained and the use is restricted. Failure to maintain such containment or the violation of other applicable environmental covenants or regulations relating to the California Mortgaged Property could adversely affect the ability of TU to continue to use the property and conduct its operations at that site or could result in the incurrence of significant remediation costs. For additional information relating to the TU campus and the California Mortgaged Property, see the caption “SCHOOLS AND PROGRAMS - Touro University - Touro University California Campus in Vallejo, CA” in Appendix B-1 to this Official Statement. See also “Risks Relating to Remedial Actions - Realization of Value on the Mortgaged Property” below.

### **Risks Relating to Remedial Actions**

#### *Default by the Obligated Group*

No representations or assurances can be given that the Members of the Obligated Group will not default in performing their respective obligations under the Master Indenture, the Loan Agreement or any of the other financing documents. If an Event of Default occurs under the Master Indenture, the Trustee may accelerate the maturity of the Series 2017 Bonds, as necessary. Interest on the Series 2017 Bonds shall cease to accrue on the date of declaration of acceleration.

#### *Enforceability of Remedies; Bankruptcy*

The remedies available to the Trustee, the Master Trustee, DASNY and the Bondowners upon an Event of Default under the Master Indenture are in many respects dependent upon judicial actions which are, in turn, often subject to discretion and delay. Under existing constitutional and statutory laws and judicial decisions, a particular remedy specified by the Master Indenture, including foreclosures on the Mortgages, may not be readily available or, if available, may be limited or subject to substantial delay. Enforcement of the remedies under the Resolutions, the Loan Agreement and the Master Indenture may be limited or restricted by state laws concerning the use of assets of charitable corporations and by federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity applicable to the availability of specific performance, and may be substantially delayed in the event of litigation or statutory remedy procedures. In the event a Member of the Obligated Group becomes a debtor under the United States Bankruptcy Code, 11 U.S.C. §§10 *et seq.* (the “Bankruptcy Code”), payments under the Loan Agreement or on the Series 2017 Obligation may be stayed or under certain circumstances subject to avoidance and the interests of the Trustee with respect to payments on the Series 2017 Bonds may not extend to payments acquired after the commencement of such a bankruptcy case. Furthermore, if the bankruptcy court concludes that the Trustee has “adequate protection,” it may enter orders affecting the security of the Trustee, including orders providing for the substitution, subordination and sale of the security for the Series 2017 Bonds. In addition, a reorganization plan may be adopted even though it has not been accepted by the Trustee if the Trustee is provided with the benefit of its original lien or the “indubitable equivalent.” Thus, in the

event of the bankruptcy of a Member of the Obligated Group, the amount realized by the Trustee may depend on the bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances. The bankruptcy court may also have the power to invalidate certain provisions of the Loan Agreement and the Master Indenture that make bankruptcy and related proceedings by a Member of the Obligated Group an event of default thereunder. The various legal opinions to be delivered concurrently with the issuance and delivery of the Series 2017 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity and by bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the rights of creditors generally.

#### *Enforceability of Lien on Gross Revenues*

The Obligated Group's obligations under the Master Indenture are secured by a lien on Gross Revenues granted to the Master Trustee. The security interest in Gross Revenues will be on a parity with certain Permitted Liens under the Master Indenture. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture - *Security Interest in Gross Revenues.*"

In the event of bankruptcy of the Obligated Group, transfers of property by the Obligated Group, including the payment of debt or the transfer of any collateral, including receivables and Gross Revenues, on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court, may be subject to avoidance or recovery as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Revenues to meet expenses of the Obligated Group before paying the Obligations then Outstanding, including if then Outstanding, the Series 2017 Obligation and, in turn, the debt service on the Series 2017 Bonds.

Pursuant to the Uniform Commercial Code, the perfection of a security interest in Gross Revenues may cease if such proceeds are not paid over to the Master Trustee (or an agent for the Master Trustee) by the Obligated Group under certain circumstances. In addition, the lien on Gross Revenues may not extend to revenues coming into existence after commencement of a bankruptcy.

The Obligated Group perfected its grant of a security interest in its Gross Revenues to the extent, and only to the extent, that such security interest may be perfected (i) with respect to the Institution and NYMC, under the Uniform Commercial Code of the State of New York, (ii) with respect to TU, under the Uniform Commercial Code of the State of California and (iii) with respect to TUN, under the Uniform Commercial Code of the State of Nevada. As of the time of issuance of the Series 2017 Obligation, the Obligated Group has not and will not be entering into any control agreement, deposit account control agreement or any similar agreement under the Uniform Commercial Code with respect to the Gross Revenues. The Obligated Group has agreed that, upon the occurrence of an event of default for nonpayment of Obligations under the Master Indenture, the Obligated Group will transfer its Gross Revenues to the Master Trustee for deposit in an account to be held under the Master Indenture. In some cases, the Gross Revenues do not constitute all of the funds of a Member of the Obligated Group. The Gross Revenues will not be held in segregated funds but will be commingled with other monies of the Members of the Obligated Group. A security interest in the proceeds of the Obligated Group's Gross Revenues will not be perfected until such a transfer occurs and the Obligated Group executes an agreement giving the Master Trustee control over such proceeds. It may not be possible to perfect a security interest in any manner whatsoever in certain types of Gross Revenues (e.g., gifts, donations and certain insurance proceeds). The grant of a security interest in Gross Revenues may be subordinated to the interest and claims of others in several circumstances (for instance, statutory liens, liens in favor of the United States or an agency thereof, where assignment violates existing or future prohibitions on assignment under statute, liens imposed through the exercise by courts of equitable powers, and rights arising under federal bankruptcy or state insolvency laws).

The value of the security interest in the Gross Revenues could be diluted by the issuance of additional Obligations under the Master Indenture, which are secured equally and ratably with the Series 2017 Obligation, and in certain circumstances by Permitted Liens that are senior to the lien on Gross Revenues securing the Series 2017 Obligation. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture - *Security Interest in Gross Revenues.*" In the event of the liquidation or bankruptcy of the Obligated Group, there can be no assurance that the proceeds of the Gross Revenues will be adequate.

### *Realization of Value on the Mortgaged Property*

The Obligated Group's obligations under the Master Indenture and the Series 2017 Obligation are secured by the Mortgages. There has not been any recent appraisal of the Mortgaged Property and the value of the Mortgaged Property may be less than the aggregate principal amount of the Obligations outstanding following the issuance of the Series 2017 Obligation and Obligation No. 7 related to the Nevada 2017 Bonds. Much of the Mortgaged Property does not comprise general purpose buildings and in many cases would not be suitable for industrial or commercial use without significant alteration and certain portions of the Mortgaged Property are subject to restrictions that restrict their use to their current purposes or certain other limited purposes. Consequently, it may be difficult to find a buyer or lessee for such property if it were necessary to foreclose on the Mortgages. In addition, the value of the lien on the Mortgaged Property could be diluted by the issuance of additional Obligations under the Master Indenture, which are secured equally and ratably with the Series 2017 Obligation and the Obligations previously issued or expected to be issued concurrently with the Series 2017 Obligation, and certain portions of the Mortgaged Property may be transferred or released from the lien of the Mortgages. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Obligations under the Master Indenture – *Prior and Concurrent Obligated Group Financings*" and "*- 2014 and 2017 Mortgages.*" Thus, upon any default, it may not be possible to realize the amount of the outstanding Obligations from a sale or lease of the Mortgaged Property.

In addition, under applicable federal and state environmental law, in the event of any past or future releases of pollutants or contaminants on or near the Mortgaged Property, a lien superior to the lien of the Mortgages could attach to the Mortgaged Property to secure the costs of removing or otherwise treating such pollutants or contaminants. Such a lien would adversely affect the ability to realize value from the disposition of the Mortgaged Property upon foreclosure. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Mortgaged Property under the Master Indenture, the Master Trustee would need to take into account the potential liability of any owner of the Mortgaged Property, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants. See above "Factors Affecting the Financial Performance of the Obligated Group - *Environmental Matters - California.*"

### *Enforceability of the Master Indenture*

It is possible that the joint and several obligation of a Member of the Obligated Group to make payments due under the Obligations in respect of moneys used by another Member of the Obligated Group may not be valid and enforceable and could be declared void in an action brought by third-party creditors, by a trustee in bankruptcy in the event of the bankruptcy of the Member from whom payment is requested.

In addition, any obligation of a Member of the Obligated Group may be voided under the Bankruptcy Code or under certain state fraudulent conveyance statutes, if (i) the obligation was incurred without receipt by the obligor of "fair consideration" or "reasonably equivalent value," and (ii) the obligor is insolvent or the obligation renders the obligor "insolvent," as such terms are defined under the applicable statute.

Interpretation by the courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. For example, a Member's joint and several obligation under the Master Indenture to make all payments thereunder, including payments in respect of funds used for the benefit of the other Members, may be held to be a "transfer" which makes such Member "insolvent" in the sense that the total amount due under the Master Indenture could be considered as causing its liabilities to exceed its assets. Also, one of the Members may be deemed to have received less than "fair consideration" for such obligation because none or only a portion of the proceeds of the Series 2017 Bonds are to be used to finance facilities occupied or used by such Member. While the Members may benefit generally from the facilities financed from the proceeds of the Series 2017 Bonds, the actual cash value of this benefit may be less than the joint and several obligation.

### *Enforcement Actions in "One Action" States*

Certain states, including California and Nevada, are known as "one action" states, which typically require that a lender exhaust the real property foreclosure process prior to attempting to recover from a debtor personally. A violation of the "one action" rule can result in the borrower having an affirmative defense against any further collection actions relating to the associated debt. Pursuant to the Master Indenture, the Master Trustee has been authorized to consult with counsel qualified to advise the Master Trustee regarding the exercise of Mortgage remedies in each jurisdiction where Mortgaged Property is located. A failure of the Master Trustee to comply with the "one action" rules in California, Nevada or any other state where Mortgaged Property is located could result in the Master Trustee being barred from further collection efforts against the Obligated Group.

## **Tax Related Risks**

### *Tax-Exempt Status of the Obligated Group and the Series 2017 Bonds*

The Internal Revenue Service (the “IRS”) has determined that each Member of the Obligated Group is an organization described in Section 501(c)(3) of the Code and therefore is exempt from federal income taxation. In addition, each Member of the Obligated Group is generally exempt from ad valorem property taxation. As a charitable organization, each Member of the Obligated Group is subject to a number of requirements affecting its operations. The IRS has indicated that it is giving greater scrutiny to certain tax-exempt organizations, including colleges and universities.

The failure of the Members of the Obligated Group to remain qualified as a tax-exempt organization could affect the amount of funds available to pay debt service on the Series 2017 Bonds. Such failure with respect to the Institution, as well as failure to comply with certain legal requirements (see “PART 12 - TAX MATTERS”), could cause the inclusion of interest on the Series 2017 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of such Series 2017 Bonds.

The possible modification or repeal of certain existing federal income tax laws or property tax laws or other loss by the Obligated Group of the present advantages of such laws, or any legislation imposing additional conditions on tax-exempt organizations, could adversely impact the financial position of the Obligated Group.

### *Determination of Taxability*

The Series 2017 Bonds are not subject to redemption, nor are the interest rates on the Series 2017 Bonds subject to adjustment, in the event of a determination by the IRS or a court of competent jurisdiction that the interest paid or to be paid on any Series 2017 Bond is or was includible in the gross income of the owner of a Series 2017 Bond for federal income tax purposes. Such determination may, however, result in a breach of DASNY’s and the Institution’s tax covenants set forth in the General Resolution and the Loan Agreement, which may constitute an event of default thereunder. It may be that Bondholders would continue to hold their Series 2017 Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.

### *Risk of Audit*

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. No assurance can be given that the IRS will not commence an audit of the Series 2017 Bonds. Bondholders of the Series 2017 Bonds are advised that, if an audit of the Series 2017 Bonds were commenced, in accordance with its current published procedures, the IRS is likely to treat DASNY as the taxpayer, and the Bondholders of the Series 2017 Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2017 Bonds during the pendency of the audit, regardless of the ultimate outcome.

IRS officials continue to place a high priority on examination, voluntary compliance, education and outreach programs focused on tax-exempt bonds in the charitable organization sector, with specific focus on private business use. A schedule to the Form 990 return (Schedule K) addresses what the IRS believes is significant noncompliance with recordkeeping and record retention requirements. Schedule K also requires tax-exempt organizations to report on the investment and use of bond proceeds to address IRS concerns regarding compliance with arbitrage rebate requirements and the private use of bond-financed facilities.

### *Changes in Federal Tax Law*

From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion of the interest on the Series 2017 Bonds from gross income for federal income tax purposes, and thus on the economic value of the Series 2017 Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax on its replacement with another type of tax repeal of the exclusion of the interest of the Series 2017 Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Series 2017 Bonds, including legislation currently being considered by the United States Congress (see “PART 12 – TAX MATTERS – Series 2017 Bonds – Miscellaneous”), may be proposed or enacted.

### **Additional Indebtedness**

Additional Indebtedness may be incurred by the Obligated Group from time to time while the Series 2017 Bonds remain outstanding, some of which may be secured by Additional Obligations issued pursuant to the Master Indenture which, if issued, will rank on parity with the Series 2017 Obligation. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS - Additional Bonds” and “- Other Indebtedness,” and Appendices C, D and E.

### **Redemption and Acceleration**

The Series 2017 Bonds are subject to redemption, in some cases without premium, in advance of their stated maturities as described under the caption “PART 3 - THE SERIES 2017 BONDS – Redemption of the Series 2017 Bonds and Purchase in Lieu of Optional Redemption.” In addition, upon the occurrence of certain events of default under the Master Indenture, the General Resolution or the Loan Agreement, the Series 2017 Bonds may become subject to acceleration. If Series 2017 Bonds are either redeemed or accelerated prior to their stated maturity, the owners of such Series 2017 Bonds will not receive the rate of interest indicated for the term of their initial investment, and, if so redeemed or accelerated, such owners may not be able to reinvest the proceeds thereof at comparable rates.

### **Amendment of the Master Indenture, General Resolution and Loan Agreements**

Certain amendments to the Master Indenture may be made without the consent of the holders of the Obligations or with the consent of the holders of a majority of the Obligations outstanding under the Master Indenture. See “Appendix E – Summary of Certain Provisions of the Master Indenture - Supplements Not Requiring Consent of Holders” and “- Supplements Requiring Consent of Holders” for a description of the amendment process for the Master Indenture.

Certain amendments to the General Resolution and the Loan Agreement may be made without the consent of owners of the Series 2017 Bonds or with the consent of the owners of two-thirds in aggregate principal amount of the outstanding Series 2017 Bonds. See “Appendix D - Summary of Certain Provisions of the General Resolution - Powers of Amendment” for a description of the amendment process for the General Resolution and “Appendix C - Summary of Certain Provisions of the Loan Agreements- Amendments to Loan Agreement” for a description of the amendment process for the Loan Agreement.

Any of such amendments could adversely affect the security of the holders of the Series 2017 Bonds, and such percentage may, in the case of amendments to the Master Indenture, be composed wholly or partially of the holders of Obligations other than the Series 2017 Obligation. On the date of issuance of the Series 2017 Bonds, DASNY remains the holder of the Obligations related to the Series 2014 Bonds (Obligation Nos. 1 and 2) and intends to remain the holder of the Series 2017 Obligation and, as such, will be the holder of more than a majority in principal amount of the outstanding Obligations on such date.

There can be no assurances that any such amendment will not be adverse to the interests of the holders of the Series 2017 Bonds or will not adversely affect any then current ratings on the Series 2017 Bonds.

### **Investment Grade Rating**

The lowering or withdrawal of the investment grade rating initially assigned to the Series 2017 Bonds could adversely affect the market price and the market for the Series 2017 Bonds.

### **Secondary Market**

Although the Underwriter presently intends to make a market for the Series 2017 Bonds, such market making may be discontinued at any time. There can be no assurance that there will be a secondary market for the Series 2017 Bonds, and the absence of such a market could result in investors not being able to resell their Series 2017 Bonds should they need or wish to do so.

## **PART 9 - 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 Alcoholism and Substance Abuse Services, 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 September 30, 2017, DASNY had approximately \$48.5 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 507 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 46 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. One of the appointments to the Board by the Governor is currently vacant.

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.

SANDRA M. SHAPARD, *Secretary*, Delmar.

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

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.

BERYL L. SNYDER, J.D., 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.

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.

PAUL S. ELLIS, ESQ., New York

Paul S. Ellis was appointed as a Member of DASNY by the Speaker of the State Assembly on September 19, 2016. Mr. Ellis is the Managing Member of Paul Ellis Law Group LLC, a law firm with a corporate/securities/capital markets practice with emphasis on private placements, mergers and acquisitions, venture capital/private equity transactions and joint ventures. He previously worked for Donovan Leisure Newton & Irvine and Winston & Strawn and served in staff positions in the U.S. Senate and the Massachusetts House of Representatives. He co-founded the New York Technology Council and serves on the Board of the NY Tech Alliance and as Chairman of the Housing Committee of Bronx Community Board 8. He holds a Bachelor of Arts degree from Harvard University and a Juris Doctor degree from Georgetown University Law Center.

MARYELLEN ELIA, *Commissioner of Education of the State of New York*, Loudonville; *ex-officio*.

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo’s Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

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.

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.

The principal staff of DASNY is as follows:

GERRARD P. BUSHHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

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

KIMBERLY J. NADEAU is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, budget, payroll, insurance and information services, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters, and the legal aspects of all DASNY financings. In addition, he is responsible for the supervision of DASNY's environmental affairs unit. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

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.

### **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.

### **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, 2017. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

## **PART 10 - LEGALITY OF THE SERIES 2017 BONDS FOR INVESTMENT AND DEPOSIT**

Under New York State law, the Series 2017 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 2017 Bonds may be deposited with the State Comptroller to secure deposits of State money in banks, trust companies and industrial banks.

## PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2017 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the General Resolution and in the Series 2017 Bonds.

## PART 12 - TAX MATTERS

### Series 2017 Bonds

#### *General*

In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2017 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2017 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinion, Hawkins Delafield & Wood LLP has relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, DASNY, the Institution and others in connection with the Series 2017 Bonds, and Hawkins Delafield & Wood LLP has assumed compliance by, as applicable, DASNY and the Institution with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2017 Bonds from gross income under Section 103 of the Code. In addition, in rendering such opinion, Hawkins Delafield & Wood LLP has relied on the opinion of the Institution’s general counsel regarding, among other matters, the current qualifications of the Institution as an organization described in Section 501(c)(3) of the Code.

In addition, in the opinion of Hawkins Delafield & Wood LLP, under existing statutes, interest on the Series 2017 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).

Hawkins Delafield & Wood LLP expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2017 Bonds. Hawkins Delafield & Wood LLP renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Hawkins Delafield & Wood LLP expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2017 Bonds, or the exemption from personal income taxes of interest on the Bonds under state and local tax law.

Reference is made to Appendix F hereto for the proposed form of opinion, in substantially final form, expected to be rendered by Hawkins Delafield & Wood LLP in connection with the issuance of the Series 2017 Bonds.

#### *Certain Ongoing Federal Tax Requirements and Covenants*

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2017 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2017 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2017 Bonds.

Prospective owners of the Series 2017 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2017 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### *Original Issue Discount*

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2017 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2017 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Series 2017 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Hawkins, Delafield & Wood LLP is of the opinion that, for any Series 2017 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2017 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### *Bond Premium*

In general, if an owner acquires a Series 2017 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2017 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2017 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### *Information Reporting and Backup Withholding*

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2017 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2017 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2017 Bonds

from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once 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, could adversely affect the tax-exempt status of interest on the Series 2017 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2017 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Series 2017 Bonds.

For example, in December 2017, both houses of Congress passed legislation, which retains the ability to issue tax-exempt private activity bonds, but repeals the ability to issue tax-exempt advance refunding bonds after December 31, 2017 ("H.R. 1"). H.R. 1 would further eliminate the alternative minimum tax for corporations and increase the thresholds at which such tax would apply to individuals for taxable years commencing after December 31, 2017, however H.R. 1 provides for such thresholds to revert to current levels for taxable years beginning after December 31, 2025. H.R. 1 would also impact (and generally lower) the current income tax rates for individuals and corporations. The President has publicly indicated his intention to sign H.R. 1 into law.

Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding the foregoing matters.

### **PART 13 -STATE NOT LIABLE ON THE SERIES 2017 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 General Resolution specifically provides that the Series 2017 Bonds are not a debt of the State and that the State is not liable on them.

### **PART 14 - COVENANT BY THE STATE**

The Act states that the State pledges and agrees with the holders of 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 15 - LEGAL MATTERS**

Certain legal matters incidental to the authorization and issuance of the Series 2017 Bonds by DASNY are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel to DASNY, whose approving opinions will be delivered with the Series 2017 Bonds. The proposed forms of opinion to be delivered by each Co-Bond Counsel are set forth in Appendix F hereto.

Certain legal matters will be passed upon for Members of the Obligated Group by the College's General Counsel, by Nevada special counsel, Ballard Spahr LLP, Las Vegas, Nevada, and by special counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Bryan Cave LLP, Kansas City, Missouri.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2017 Bonds or questioning or affecting the validity of the Series 2017 Bonds or the proceedings and authority under which they are to be issued.

In connection with the issuance of the Series 2017 Bonds, the attorneys or law firms identified in the preceding paragraphs are acting as Bond Counsel and counsel to the Obligated Group and the Underwriter. In other transactions not related to the Series 2017 Bonds or the issuance of the Nevada 2017 Bonds, each of these attorneys or law firms may have acted, or be acting, as bond counsel and/or may have represented, or be representing, the Underwriter, DASNY, the Obligated Group or their affiliates in capacities different from those described under the caption "PART 15 - LEGAL MATTERS."

## **PART 16 - UNDERWRITING**

The Series 2017 Bonds are being purchased for reoffering by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to a bond purchase agreement between DASNY and the Underwriter, and as approved by the Institution. The Underwriter has agreed, subject to certain conditions, to purchase the Series 2017 Bonds from DASNY at an aggregate purchase price of \$69,064,146.78 (reflecting a net original issue premium of \$5,854,223.90 and an Underwriter's discount of \$805,077.12) and to make a public offering of the Series 2017 Bonds at prices (or yields) that are not in excess of the public offering prices (or yields) stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2017 Bonds if any are purchased.

The Series 2017 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its affiliates are financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for DASNY and/or the Obligated Group, for which it 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 DASNY and/or the Obligated Group.

NYMC has a \$22 million line of credit with a Stifel Bank & Trust, an affiliate of the Underwriter. Investment accounts with a value of \$32.7 million at June 30, 2017 serve as collateral for the line of credit. In addition, the Underwriter has made various charitable contributions to the Institution and its affiliates from time to time.

## **PART 17 - 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 will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the Series 2017 Bonds with Digital Assurance Certification LLC ("DAC"), as disclosure dissemination agent, the Trustee, and DASNY. The proposed form of the Continuing Disclosure Agreement is attached as Appendix G hereto.

The Members of the Obligated Group have been parties to agreements to provide continuing disclosure under Rule 15c2-12. During the past five years NYMC failed to comply with a continuing disclosure agreement relating to bonds that were issued in 1998 and refunded in 2014 (the "NYMC Series 1998 Bonds") in that it filed its operating data information for the fiscal year ended June 30, 2013 seven days late. In addition, some, but not all, of the event notices relating to each rating change or rating withdrawal for the NYMC Series 1998 Bonds resulting from a change in the rating or withdrawal of the rating of MBIA Insurance Corporation were filed with the MSRB through the EMMA system or other applicable repositories.

## **PART 18 - RATING**

Fitch Ratings ("Fitch") has assigned a rating of "BBB-" to the Series 2017 Bonds. Such rating reflects only the views of such rating agency and any desired explanation of the significance of such rating should be obtained from

the rating agency at the following addresses: One State Street Plaza, New York, New York 10004. 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 the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2017 Bonds.

## **PART 19 -MISCELLANEOUS**

Reference in this Official Statement to the Act, the Resolutions, the Loan Agreement, the Master Indenture, the Series 2017 Supplemental Indenture, the Series 2017 Obligation and the Mortgages do not purport to be complete. Refer to the Act, the Resolutions, the Loan Agreement, the Master Indenture, the Series 2017 Supplemental Indenture, the Series 2017 Obligation and the Mortgages for full and complete details of their provisions. Copies of such documents are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2017 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2017 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2017 Bonds.

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

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

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

"Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreements," "Appendix D - Summary of Certain Provisions of the General Resolution," "Appendix E - Summary of Certain Provisions of the Master Indenture," and "Appendix F - Proposed Forms of Co-Bond Counsel Opinions" have been prepared by Hawkins Delafield & Wood LLP, New York, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel to DASNY.

"Appendix B-2 - Financial Statements of Touro College and Independent Auditors' Report" contains the financial statements of the College and its affiliated entities (including the other Members of the Obligated Group) as of and for the years ended June 30, 2017 and 2016 which have been audited by KPMG LLP, independent accountants as stated in their report appearing therein. KPMG LLP has not been engaged to perform and has not performed, since the date of its report included in Appendix B-2, any procedures on the College's financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

The Obligated Group has reviewed the parts of this Official Statement describing the Obligated Group, the Sources of Payment and Security for the Series 2017 Bonds, the Estimated Sources and Uses of Funds, Principal and Interest Requirements, the Plan of Finance, Bondholders' Risks and Appendices B-1, B-2 and E. The Obligated Group Representative, as a condition to issuance of the Series 2017 Bonds, is required to certify that as of the date of this Official Statement, such parts do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The Obligated Group has agreed to indemnify DASNY, 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/ Gerrard P. Bushell  
Authorized Officer

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**APPENDIX A**  
**CERTAIN DEFINITIONS**

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## APPENDIX A

### CERTAIN DEFINITIONS

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

“Act” means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, and constituting Title 4 of Article 8 of the Public Authorities Law), as the same may be amended from time to time.

“Allocable Portion” means each Institution’s proportionate share of certain obligations arising under Bonds of an Applicable Series from time to time and under the Applicable Loan Agreement, particularly with respect to the Debt Service Reserve Fund, the Arbitrage Rebate Fund and Costs of Issuance, all as described in the Applicable Bond Series Certificate; provided, however, that with respect to the payment of principal, Sinking Fund Installments and Redemption Price, if any, of and interest on such Series of Bonds, Allocable Portion shall mean that portion of each such payment designated in Schedule I attached to the Applicable Loan Agreement as being allocable to such Institution, as the same may be adjusted from time to time to reflect any prepayments of the Institution’s payment obligations under the Applicable Loan Agreement. With respect to the Debt Service Reserve Fund, each Institution’s Allocable Portion shall also include any amounts withdrawn from the Debt Service Reserve Fund for the payment of such Institution’s obligations.

“Annual Administrative Fee” means the annual fee for the general administrative expenses of the Authority in the amount or percentage stated in the Loan Agreement.

“Applicable” means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, or Debt Service Reserve Fund, the fund so designated and established by an Applicable Series Resolution authorizing an Applicable Series of Bonds relating to particular Projects, (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Bonds by the Applicable Series Resolution or Bond Series Certificate, (iii) with respect to any Series Resolution, the Series Resolution relating to a particular Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for particular Projects, (v) with respect to any Loan Agreement and the contractual obligations contained therein, the Loan Agreement and the obligations for an Institution, (vi) with respect to any Institution or Trustee, the respective Institutions or Trustee identified in the Applicable Series Resolution, (vii) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution, (viii) with respect to any Credit Facility, if any, or Credit Facility Issuer, if any, the Credit Facility or Credit Facility Issuer relating to a particular Series of Bonds and (ix) with respect to any Obligation, means such Obligation issued pursuant to the Master Indenture to secure a Series of Bonds issued under the Resolution.

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

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

“Authority Fee” means a fee payable to the Authority equal to the payment to be made upon the issuance of a Series of Bonds in an amount set forth in the Applicable Series Resolution, unless otherwise provided in the Applicable Series Resolution.

“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 Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Construction, the Managing Director of Public Finance and Portfolio Monitoring, the General Counsel and any other person authorized by a resolution or the by laws of the

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

“Bond” or “Bonds” means (i) when used in the context of the Resolution, any of the bonds of the Authority authorized pursuant to the Resolution and issued pursuant to an Applicable Series Resolution, and (ii) when used in the context of the Loan Agreement between the Authority and the Institution, means the Series 2014A Bonds and the Series 2017 Bonds.

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

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

“Bond Year” means with respect to the Series 2017 Bonds, a period of twelve (12) consecutive months beginning January 1 in any calendar year and ending on December 31 of such calendar year.

“Bondholder”, “Holder of Bonds”, “Holder”, “owner” or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series, except as provided in the Resolution.

“Building Loan Agreement” means a Building Loan Agreement to be executed in connection with the Project.

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

“Construction Fund” means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, by and among the Authority, the Institution, as representative of the Obligated Group, Digital Assurance Certification, L.L.C. and the Trustee.

“Contract Documents” means any general contract or agreement for the construction 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 Applicable Institution relating to the construction of a Project, and any amendments to the foregoing.

“Cost” or “Costs of Issuance” means the items of expense incurred in connection with the authorization, sale and issuance of a Series of 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, legal fees and charges, professional consultants’ fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, commitment fees and similar charges relating to a Reserve Fund Facility or a Hedge Agreement, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

“Cost” or “Costs of the Project(s)” means, with respect to a Project(s), the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with such Project(s), 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(s), (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(s), which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, environmental inspections and assessments, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of the Project(s), (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which an Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project(s), (vii) any sums required to reimburse an Institution, or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with the Project(s) (including interest on moneys borrowed from parties other than such Institution), (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(s), and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project(s) or pursuant hereto or to the Loan Agreement, or a Reserve Fund Facility.

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

“Credit Facility” means any letter of credit or municipal bond insurance policy satisfactory to the Authority which insures payment of principal, interest and, if agreed to by the Credit Facility Issuer and the Applicable Institution, redemption premium on the Bonds of any Series when due and issued and delivered to the Trustee or similar insurance or guarantee if so designated, all in accordance with the Applicable Series Resolution.

“Credit Facility Default” means with respect to a Credit Facility Issuer any of the following: (a) there shall occur a default in the payment of principal of or any interest on any Bond by the Credit Facility Issuer when required to be made under the terms of the Credit Facility, (b) a Credit Facility shall have been declared null and void or unenforceable in a final determination by a court of law of competent jurisdiction or (c) such Credit Facility Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of such Credit Facility Issuer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

“Credit Facility Issuer” means, with respect to any Series of Bonds for which a Credit Facility is held by the Trustee, the firm, association or corporation, including public bodies and governmental agencies, acceptable to the Authority, which has issued such Credit Facility in connection with such Series of Bonds, and the successor or assign of the obligations of such firm, association or corporation under such Credit Facility.

“Debt Service Fund” means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution.

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

“Debt Service Reserve Fund Requirement” means the amount of moneys required to be deposited in the Debt Service Reserve Fund as determined in accordance with the Applicable Series Resolution pursuant to which such Debt Service Reserve Fund has been established.

“Defeasance Security” means any of the following:

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

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

(iii) an Exempt Obligation, provided such Exempt Obligation (a) is not subject to redemption prior to maturity other than at the option of the Holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the Holder thereof, (b) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, 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 interest payment dates and 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 interest payment dates and maturity date thereof or on the redemption date specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two Rating Services in the highest rating category for such Exempt Obligation (without regard to qualification of such rating by symbols such as "+" or "-" and numerical notation);

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

“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.

“Excess Earnings” means, with respect to the Applicable Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

“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 of such rating by symbols such as "+" or "-" and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services;

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

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

“Facility Provider” means the issuer of a Reserve Fund Facility delivered to the Trustee 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 registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

“Fiscal Year” means the one year period ending on June 30 of each year.

“Fitch” means Fitch, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Bond Trustee, which designated agency is acceptable to the Credit Facility Issuer.

“Government Obligation” means any of the following:

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

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

“Gross Proceeds” means, with respect to an Applicable Series of Bonds, the interest on which is tax-exempt, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such Series of Bonds (other than amounts used to pay underwriters’ fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, (v) Securities or obligations pledged by the Authority or the Institution as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

“Gross Revenues” shall have the meaning accorded such term in the Master Indenture, as amended from time to time.

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

“Institution” means with respect to an Applicable Series of Bonds or any portion thereof, each not for profit educational corporation or other entity or person that is a New York Member of the Obligated Group and for whose benefit the Authority has issued such Series of Bonds or any portion thereof.

“Insurance Trustee” means the person, if any, designated in the municipal bond insurance policy issued by a Credit Facility Issuer in connection with a Series of Outstanding Bonds with whom funds are to be deposited by such Credit Facility Issuer to make payment pursuant to such policy on account of the principal and Sinking Fund Installments of and interest on the Bonds of such Series.

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

“Investment Agreement” means an agreement for the investment of moneys with a Qualified Financial Institution approved by any Applicable Credit Facility Issuer.

“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 savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings 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 money is to be obtained upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms hereof and of the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

“Loan Agreement” means (i) the Loan Agreement by and between the Authority and an Applicable Institution, in connection with the issuance of an Applicable Series of Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement.

“Master Indenture” means the Master Trust Indenture by and among the Obligated Group and the Master Trustee dated as of May 1, 2014, as may be amended and supplemented from time to time.

“Master Trustee” means The Bank of New York Mellon, New York, New York and any successor under the Master Indenture.

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

“Mortgages” means, collectively, the Mortgages granted by the Members of the Obligated Group to the Master Trustee on the Mortgaged Property as security for the performance of the obligations of the Institution and the other Members of the Obligated Group under all Obligations (as defined in the Resolution) issued under the Master Indenture, as such Mortgages may be amended or modified from time to time.

“Mortgaged Property” means any and all property, whether real, personal or mixed, and all rights and interests in and to the property which is subject to the liens and security interests created under Mortgages.

“New Mortgaged Property” means the property to be acquired and improved with the proceeds of the Bonds, consisting of the entire 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> floors of One West End Avenue, New York, New York, a/k/a 625 West 59<sup>th</sup> Street, New York, New York, which is part of that certain condominium known as One West End Avenue Condominium created by that certain Declaration of One West End Condominium filed on August 23, 2017 in the Office of the City Register under CRFN 201700031517.

“New Mortgages” means mortgages on the New Mortgaged Property, in recordable form, mortgaging the New Mortgaged Property and a Building Loan Agreement, satisfactory to the Authority (which New Mortgages shall be assigned by the Authority to the Master Trustee), which New Mortgages shall constitute a first lien on the New Mortgaged Property subject only to Permitted Encumbrances.

“New York Member” means initially Touro College and New York Medical College and such other organizations located in the State as may from time to time be added as members of such Obligated Group, and deleting such organizations located in the State as may from time to time withdraw as members of such Obligated Group.

“Obligated Group” means initially the Touro College and University System Obligated Group of which Touro College, Touro University, Touro University Nevada and New York Medical College are currently the members; and such other organizations as may from time to time be added as members of such Obligated Group, provided in the Master Indenture, pursuant to which such Obligated Group was created.

“Obligation” means (a) when used in connection with the Resolution, each obligation issued pursuant to the Master Indenture to secure a Series of Bonds, (b) when used in connection with the Loan Agreement between the Authority and Touro College, means Obligation No. 1 and Obligation No. 6 and (c) when used in connection with the Loan Agreement between the Authority and New York Medical College, means Obligation No. 1 and Obligation No. 2.

“Obligation No. 1” means the Obligation issued pursuant to the Supplemental Indenture for Obligation No. 1 by and between the Obligated Group and the Master Trustee with respect to Series 2014A Bonds.

“Obligation No. 2” means the Obligation issued pursuant to the Supplemental Indenture for Obligation No. 2 by and between the Obligated Group and the Master Trustee with respect to the Series 2014B Bonds.

“Obligation No. 6” means the Obligation issued pursuant to the Supplemental Indenture for Obligation No. 6 by and between the Obligated Group and the Master Trustee with respect to the Series 2017 Bonds.

“Option Bond” means any Bond which by its terms may be or is required to be tendered by 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 in accordance with the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds.

“Outstanding” when used in reference to Bonds of an Applicable Series means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any such Bond cancelled by the Trustee at or before such date; (ii) any such Bond deemed to have been paid in accordance with Section 12.01 hereof; (iii) any such Bond in lieu of or in substitution for which another such Bond shall have been authenticated and delivered pursuant to Article 3, Section 4.06 or Section 10.06 hereof; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to 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 or the Bond Series Certificate relating to such Bonds.

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

“Permitted Collateral” means any of the following:

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

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

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

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

(v) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one nationally recognized rating organization and having maturities of not longer than three hundred sixty-five (365) days from the date they are pledged; and

(vi) taxable bonds, all or a portion of the interest on which is paid by or subsidized by the United States of America and to which the full faith and credit of the United States of America is pledged, including, but not limited to, Build America Bonds that are Qualified Bonds (as such terms are defined in Section 54AA of the Code).

“Permitted Investments” means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) 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;

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

(v) commercial paper issued by a domestic corporation rated in the highest short term rating category by at least one Rating Service and having maturities of not longer than two hundred seventy (270) days from the date of purchase;

(vi) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty-five (365) days from the date they are purchased;

(vii) any Investment Agreement that is fully collateralized by Permitted Collateral;

(viii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest short term rating category by at least one Rating Service;

(ix) taxable bonds, all or a portion of the interest on which is paid by or subsidized by the United States of America and to which the full faith and credit of the United States of America is pledged, including, but not limited to, Build America Bonds; and

(x) Exempt Obligations.

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

“Provider Payments” means any payments made by a Facility Provider pursuant to its Reserve Fund Facility.

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

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

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

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to

determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility, Liquidity Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

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

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

“Rating Service(s)” means S&P, Moody’s, Fitch or any other nationally recognized statistical rating organization which shall have assigned a rating on any Bonds Outstanding as requested by or on behalf of the Authority, and which rating is then currently in effect. Any reference to Rating Service(s) with respect to any Bonds shall be deemed to be such Rating Service(s)

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

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

“Refunding Bonds” means all Bonds, whether issued in one or more Applicable Series of Bonds, authenticated and delivered pursuant to Article 3, Section 4.06 or Section 10.06 hereof, and originally issued pursuant to Section 2.04 hereof, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

“Reserve Fund Facility” means a surety bond, insurance policy or letter of credit authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund which constitutes any part of the Debt Service Reserve Fund authorized to be delivered to the Trustee pursuant to Section 5.07 hereof.

“Resolution” means this Touro College and University System Obligated Group Revenue Bond Resolution, adopted May 14, 2014, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions hereof.

“Revenues” means all payments payable by the Applicable Institution to the Authority pursuant to an Applicable Loan Agreement, and payments made under the Master Indenture or payable by the Obligated Group to the Authority pursuant to the Applicable Obligation and all amounts realized upon liquidation of collateral securing the Applicable Obligation, which payments and amounts are assigned by the Resolution to the Trustee by the Authority and pursuant to such Loan Agreement and Obligation 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 S&P Global Ratings, and 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, “Aa” or better by Moody’s or “AA” or better by S&P or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and (v) with the consent of the Credit Facility Issuers, if any, 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, “Aa” or better by Moody’s or “AA” or better by S&P or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and the Credit Facility Issuers, if any.

“Serial Bonds” means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate.

“Series” means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and the Applicable Series Resolution, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

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

“Series 2014A Bonds” means the Authority’s Touro College and University System Obligated Group Revenue Bonds, Series 2014A, authorized by the Series 2014A Resolution issued under the Resolution.

“Series 2014A Resolution” means the 2014A Resolution, adopted May 14, 2014, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

“Series 2014B Bonds” means the Authority’s Touro College and University System Obligated Group Revenue Bonds, Series 2014B, authorized by the Series 2014B Resolution issued under the Resolution.

“Series 2014B Resolution” means the 2014B Resolution, adopted May 14, 2014, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

“Series 2017 Bonds” means the Authority’s Touro College and University System Obligated Group Revenue Bonds, Series 2017, authorized by the Series 2017 Resolution issued under the Resolution.

“Series 2017 Resolution” means the 2017 Resolution, adopted December 6, 2017, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

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

“State” means the State of New York.

“Supplemental Resolution” means any supplemental resolution of the members of the Authority amending or supplementing the Resolution, any Applicable Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms of Article 9 hereof.

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

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

“Variable Interest Rate” means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds and which shall be based on:

- (a) a percentage or percentages or other function of an objectively determinable interest rate or rates (*e.g.*, a prime lending rate) which may be in effect from time to time or at a particular time or times; or
- (b) a stated interest rate that may be changed from time to time as provided in such Series Resolution or Bond Series Certificate;

provided, however, that such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate and that there may be an initial rate specified, in each case, as provided in such Series Resolution or Bond Series Certificate, and, provided, further, that such Series Resolution or Bond Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

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

**APPENDIX B-1**

**TOURO COLLEGE AND UNIVERSITY SYSTEM OBLIGATED GROUP -  
ORGANIZATION AND OPERATIONS**

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## **INTRODUCTION AND OVERVIEW**

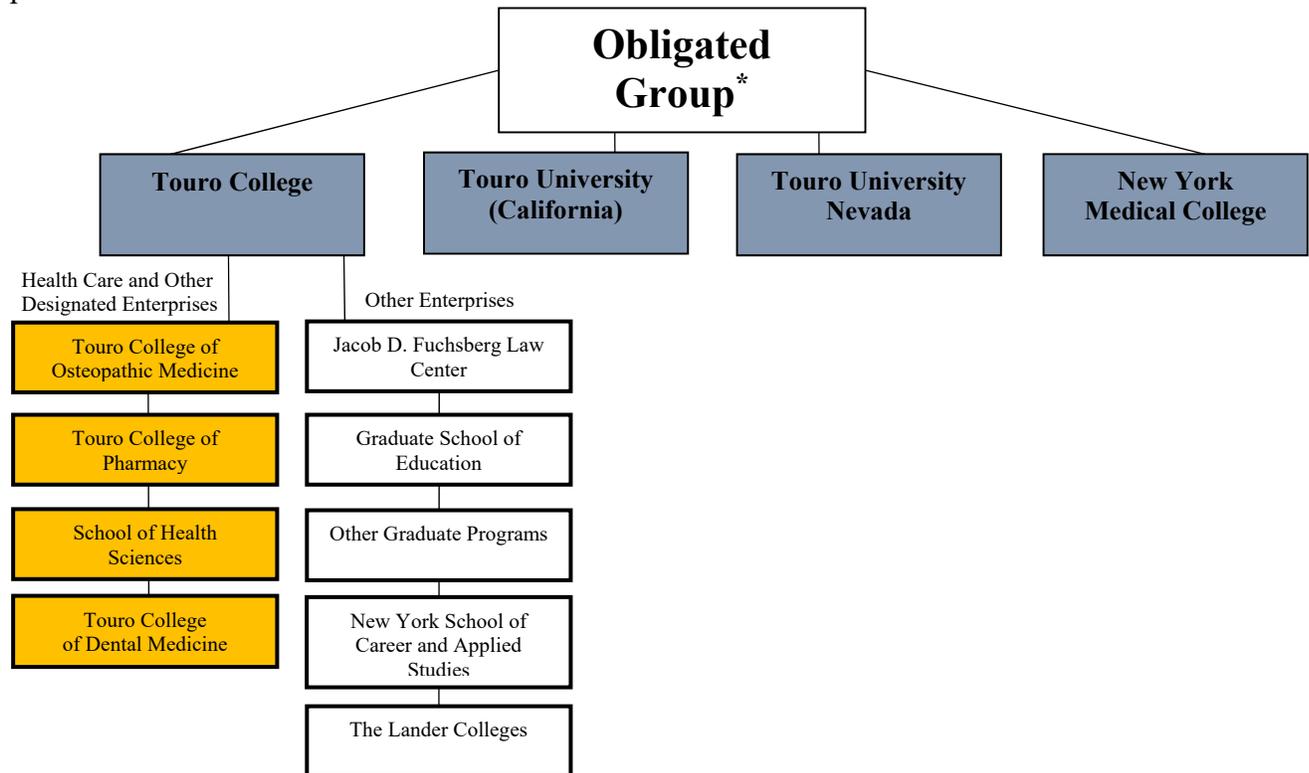
Touro College (“Touro,” “Touro College,” or the “College”) began its operations more than 46 years ago as a liberal arts college with a class of 35 men in one location in New York City. Since then, it has expanded both geographically and programmatically. In addition to adding facilities at several locations throughout the New York City metropolitan area, Touro established affiliated corporations that opened facilities in California and Nevada and acquired New York Medical College with facilities in Westchester County, New York, and Hebrew Theological College with facilities in Skokie and Chicago, Illinois. The System (as defined below) now offers undergraduate, graduate and professional degrees at multiple locations in New York, California, Nevada and elsewhere and provides a wide variety of courses with a particular emphasis on medicine and other health sciences disciplines.

- Touro College, a New York corporation established in 1970, with facilities primarily located in the New York City metropolitan area, has undergraduate programs offering bachelor and associate degrees; graduate programs offering masters degrees; and professional schools, including a Law School (the “Law School”), a School of Health Sciences (“SHS”), a College of Osteopathic Medicine (“TouroCOM”), a College of Pharmacy (“TouroRx”) and a College of Dental Medicine (“TCDM”).
- Touro University (“TU”), a California corporation founded in 1995, has two divisions: Touro University California (“TUC”) and Touro University Worldwide (“TUW”). TUC, with facilities located in Vallejo, California, includes a College of Osteopathic Medicine (“TUCOM”), a College of Pharmacy (“TURx”) and a College of Education and Health Sciences. TUW operates a distance-learning unit offering bachelor, masters and doctorate degrees, and offers traditional undergraduate programs through Touro College Los Angeles (“TCLA”) including bachelor degrees in business management and administration and psychology.
- Touro University Nevada (“TUN”), a Nevada corporation founded in 2004 with facilities in Henderson, Nevada, includes a College of Osteopathic Medicine and a College of Health and Human Services offering various programs in the health professions and education.
- New York Medical College (“NYMC”), a New York corporation founded in 1860 and acquired by Touro in 2011, includes three schools located in Westchester County, New York: a School of Medicine, which confers the MD degree, the Graduate School of Basic Medical Sciences and the School of Health Sciences and Practice, which offer masters and doctoral degrees.
- The Hebrew Theological College (“HTC”), an Illinois corporation founded in 1922 and acquired by Touro in 2015, includes a men’s college and boys high school in Skokie, Illinois and a women’s college in Chicago, Illinois. HTC offers bachelor degrees.

- Other related entities include various foundations, yeshivas, and special purpose entities.

Touro, TU, TUN, NYMC, HTC and the above-mentioned related entities are sometimes referred to herein collectively as the “System.” TU and TUN are also referred to herein as the “Western Division.” The Obligated Group Members currently are Touro, TU, TUN and NYMC. HTC is not a Member of the Obligated Group and there are currently no plans for HTC to join the Obligated Group.

Touro, TU, TUN, NYMC and HTC are separate not-for-profit 501(c)(3) organizations. Touro is the sole member of TU and TUN. HTC, LLC, a wholly-owned subsidiary of Touro, is the sole member of HTC. The Boards of Touro, TU, TUN and HTC are identical. Touro’s wholly-owned subsidiary, NYMC, LLC, is the sole member of NYMC and certain members of the Board of Touro are also members of the Board of NYMC. See “GOVERNANCE” herein. The consolidated financial statements include the accounts and activities of all entities that comprise the System. All transactions between the entities are eliminated in the consolidated presentation.



 Obligated Group Members

 With respect to Touro College, Gross Revenues pledged under the Master Trust Indenture include only revenues related to the College’s Health Care and Other Designated Enterprises.

\* In addition, HTC, Foreign Programs and Yeshivas are part of the System but are not Members of the Obligated Group.

Touro was established by Dr. Bernard Lander, who served as President and directed its mission and growth through 2009. In early 2010, Dr. Alan Kadish became President of the College after serving as senior provost and chief operating officer since late 2009. In less than 47 years, the System has grown into an organization with locations throughout the world; a combined enrollment of more than 18,500 full-time and part-time students and over 97,000 alumni; over 5,600 full and part-time personnel, including over 1,000 full-time faculty and 1,300 part-time faculty; and an operating budget for the current fiscal year 2017-2018 of over \$525 million. Fall semester enrollment in the System's programs for the academic years commencing in 2013-2017 is as follows:

	<b>Total Fall Semester Enrollment</b>				
	<b>(Total Headcount)</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>Touro College</u></b>					
TouroCOM*	1,185	1,104	961	763	624
TouroRx*	308	347	371	381	390
School of Health Sciences*	1,282	1,313	1,109	1,178	1,157
Graduate Education	2,352	2,923	3,048	2,745	3,297
Dental School*	218	112	-	-	-
Graduate Psychology**	-	-	180	182	216
Other Graduate Programs	705	714	698	659	654
Law School	480	467	549	667	684
Lander Colleges –					
Undergraduate	2,828	2,892	2,667	2,552	2,752
NY School of Career & Applied Studies	3,260	3,322	3,529	3,784	3,635
Foreign Programs & Other	<u>144</u>	<u>182</u>	<u>388</u>	<u>409</u>	<u>393</u>
<b>Subtotal Touro College</b>	<b>12,762</b>	<b>13,376</b>	<b>13,500</b>	<b>13,320</b>	<b>13,802</b>
TU*	2,811	2,523	2,305	2,001	1,741
TUN*	1,150	1,251	1,164	1,312	1,129
NYMC*	1,476	1,444	1,455	1,464	1,527
Yeshivas	161	159	179	180	181
HTC	<u>298</u>	<u>446</u>	<u>660</u>	<u>-</u>	<u>-</u>
<b>System total</b>	<b><u>18,658</u></b>	<b><u>19,199</u></b>	<b><u>19,263</u></b>	<b><u>18,277</u></b>	<b><u>18,380</u></b>
<b>Obligated Group Enrollment</b>	<b><u>8,430</u></b>	<b><u>8,094</u></b>	<b><u>7,365</u></b>	<b><u>7,099</u></b>	<b><u>6,568</u></b>

\*Gross Revenues of the Obligated Group (as defined in the Master Indenture) are derived in part from the tuition and fees generated by these programs.

\*\*For academic years commencing in 2016, Graduate Psychology enrollment is included as the Division of Behavioral Science of the School of Health Sciences.

	<b>Total Fall Semester Enrollment (Full-Time Equivalents)</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Touro College</b>					
TouroCOM*	1,183	1,103	893	763	624
TouroRx*	307	346	371	377	390
School of Health Sciences*	1,229	1,241	1,109	1,122	847
Graduate Education	1,372	1,858	1,952	1,744	2,201
Dental School*	218	112	-	-	-
Graduate Psychology**	-	-	148	152	186
Other Graduate Programs	565	670	579	517	504
Law School	475	461	541	597	608
Lander Colleges –					
Undergraduate	2,221	2,588	2,384	2,366	2,394
NY School of Career & Applied Studies	2,672	2,856	3,038	3,085	3,093
Foreign Programs	<u>135</u>	<u>174</u>	<u>313</u>	<u>351</u>	<u>333</u>
<b>Subtotal Touro College</b>	<b>10,377</b>	<b>11,409</b>	<b>11,328</b>	<b>11,074</b>	<b>11,180</b>
TU*	2,434	1,953	2,034	1,688	1,238
TUN*	1,123	1,124	1,116	1,159	1,102
NYMC*	1,385	1,364	1,313	1,332	1,289
Yeshivas	161	159	179	180	181
HTC	<u>257</u>	<u>360</u>	<u>619</u>	<u>-</u>	<u>-</u>
<b>System total</b>	<b><u>15,737</u></b>	<b><u>16,369</u></b>	<b><u>16,589</u></b>	<b><u>15,433</u></b>	<b><u>14,990</u></b>
<b>Obligated Group Enrollment</b>	<b><u>7,879</u></b>	<b><u>7,243</u></b>	<b><u>6,836</u></b>	<b><u>6,441</u></b>	<b><u>5,490</u></b>

\*Gross Revenues of the Obligated Group are derived in part from the tuition and fees generated by these programs.

\*\*For academic years commencing in 2016, Graduate Psychology enrollment is included as the Division of Behavioral Science of the School of Health Sciences.

Touro College does not have one central campus, but rather has more than 27 owned and leased properties throughout New York City and Long Island. TU has three locations in California, and TUN and NYMC are each located on a single campus with multiple buildings in Henderson, Nevada and Westchester County, New York, respectively. HTC has one campus located in Skokie, Illinois and another located in Chicago, Illinois. For a description of the properties owned by the Members of the Obligated Group, see “OVERVIEW OF TOURO REAL ESTATE” herein.

The System is devoted to a dual mission: to deliver excellence in education in order to promote Jewish continuity and to embrace and serve diverse and underserved communities by providing broad-based educational opportunities, all reflecting the Jewish commitment to values, intellectual inquiry, applied knowledge and social justice for all students.

## **TOURO OBLIGATED GROUP**

The Obligated Group is currently comprised of Touro, TU, TUN and NYMC. Touro is currently the Obligated Group Representative (the “Representative”). The Obligations issued and to be issued under the Master Indenture are joint and several general obligations of the Members of the Obligated Group. In addition, the Obligations are secured by the Gross Revenues of TU, TUN and NYMC and, with respect to Touro, the Obligations are secured only by its Designated Enterprise Revenues (as defined in the Master Indenture) which are related to its Health Care and Other Designated Enterprises (as defined in the Master Indenture) which include revenues from the operating divisions of TouroCOM (including the Middletown campus), TouroRx, SHS and TCDM. Other revenues of Touro, such as revenues from the Lander Colleges, the New York School of Career and Applied Studies, the Law Center and the Graduate Programs, are not pledged to secure the Obligations and may be (and, in some cases, currently are) pledged to secure other debt. For the fiscal year ended June 30, 2017, the Gross Revenues of TU, TUN, NYMC and the Designated Enterprise Revenues of Touro constituted approximately \$355 million of the consolidated revenues of the System, which is approximately 73% of total consolidated revenues of the System.

In addition, the Obligations are secured by mortgages on certain property of each of the Members of the Obligated Group. Other property of the Obligated Group Members will not be mortgaged to secure the Obligations and may be (and, in some cases currently is) mortgaged to secure other debt. The dormitory facility that is being financed with the proceeds of bonds to be issued by the Dormitory Authority of the State of New York (the “DASNY Series 2017 Bonds”) will be mortgaged to secure the Obligations. See “OUTSTANDING DEBT AND OTHER OBLIGATIONS.”

## SUMMARY OF FINANCIAL INFORMATION

The following is a brief summary of Obligated Group and Touro consolidated financial results, including debt service coverage on a pro forma basis for the Obligated Group and debt service coverage on a historical and pro forma basis for Touro on a consolidated basis. See the “FINANCIAL INFORMATION” section herein.

### Touro Obligated Group

#### Obligated Group Summary of Financial Information

(Dollars in Thousands)

	<u>Years Ended June 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total operating revenue	\$355,401	\$332,485	\$321,040	\$315,914
Total operating expenses	332,052	318,198	303,532	278,359
Change in net assets from operating activities	23,349	14,287	17,508	37,555
Total assets	583,375	553,773	542,900	552,618
Total unrestricted net assets	228,943	213,262	217,421	232,162

#### Pro Forma Master Obligations' Debt Service Coverage Ratio

(Dollars in Thousands)

	<u>Years Ended June 30,</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Change in unrestricted net assets	\$15,681	(\$4,158)	(\$14,741)	\$36,934
Depreciation, amortization and interest expense	25,727	24,778	20,191	19,633
Unrealized (gains) / losses	(2,241)	1,917	2,146	-
Other exclusions adjusting net assets	7,436	14,070	24,844	2,854
Master Obligations' Income Available for Debt Service	<u>46,603</u>	<u>36,607</u>	<u>32,440</u>	<u>59,421</u>
Pro Forma Master Obligations' Maximum Annual Debt Service	14,749	14,749	14,749	14,749
Pro Forma Master Obligations' Long-Term Debt Service Coverage Ratio (x)	3.16	2.48	2.20	4.03

**Touro Consolidated****Consolidated Summary of Financial  
Information  
(Dollars in Thousands)**

	<b>Years Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total operating revenue	\$488,668	\$467,070	\$455,023	\$451,683
Total operating expenses	483,321	484,543	462,975	452,026
Change in net assets from operating activities before gain on sale	5,347	(17,473)	(7,952)	(343)
Total assets	790,979	780,370	796,871	796,688
Total unrestricted net assets	286,662	280,620	296,396	303,952

**Debt Service Coverage Ratio  
Pro Forma Consolidated Long-Term Debt  
Service Coverage Ratio  
(Dollars in Thousands)**

	<b>Years Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Change in unrestricted net assets	\$6,042	(\$15,776)	(\$7,556)	(\$4,157)
Depreciation, amortization and interest expense	38,257	40,157	38,806	33,693
Unrealized (gains) / losses	(4,274)	1,461	2,028	-
Other exclusions adjusting net assets	1,284	3,545	(8,969)	5,265
Income Available for Debt Service	<u>41,309</u>	<u>29,387</u>	<u>24,309</u>	<u>34,801</u>
Historical Actual Debt Service	19,378	19,622	16,355	19,464
Historical Coverage (x)	<u>2.13</u>	<u>1.50</u>	<u>1.49</u>	<u>1.79</u>
Pro Forma Maximum Annual Debt Service	22,306	22,306	22,306	22,306
Pro Forma Long-Term Debt Service Coverage Ratio (x)	1.85	1.32	1.09	1.56

## SCHOOLS AND PROGRAMS

### **Touro College**

Touro College is a 501(c)(3) organization headquartered in Manhattan, New York City. Touro operates the following schools and colleges and offers associate, baccalaureate, master and professional degree programs in facilities primarily located throughout the New York City metropolitan area:

- Touro College of Osteopathic Medicine (TouroCOM)
- Touro College of Pharmacy (TouroRx)
- School of Health Sciences (SHS) (Physician Assistant, Physical Therapy, Occupational Therapy, Nursing, Speech Pathology, Behavioral Sciences)
- Touro College of Dental Medicine (TCDM)
- Graduate School of Education
- Other Graduate Programs (Social Work, Jewish Studies, Technology and Business)
- Jacob D. Fuchsberg Law Center (Law School)
- The Lander Colleges (undergraduate dual curriculum programs of Jewish and General Studies)
- New York School of Career & Applied Studies (undergraduate programs provided to underserved communities)
- Foreign Programs in Berlin, Moscow and Jerusalem

TouroCOM and TouroRx are located in two leased facilities totaling approximately 125,000 square feet located around the corner from each other in the Harlem community of Manhattan. These facilities contain lecture halls, classrooms, laboratories, a library, conference rooms and student spaces as well as student services, and administrative and faculty offices.

After admitting its first class of Doctor of Osteopathic Medicine students in 2007, TouroCOM currently has a full complement of approximately 530 students in its four-year program, in addition to approximately 70 students in its Master of Science Program at the Harlem campus. TouroCOM's extension campus in Middletown, New York opened in August 2014 and currently enrolls approximately 530 students in its medical programs and an additional 62 students in its Master of Science program. Its first class will be graduating in May 2018. TouroRx admitted its first class of 66 students in 2008 and currently has 308 students enrolled in its four-year program leading to the Doctor of Pharmaceutical Studies (PharmD) degree. TouroRx students spend most of their fourth year rotating to various clinical sites.

SHS has facilities located near the Law School in Bay Shore (Suffolk County, New York), a satellite location in Nassau County and other locations in Manhattan and Brooklyn. The main campus of SHS in Bay Shore is owned by Touro, while the other facilities are leased. SHS offers degrees in Nursing, Physician Assistant Studies, Speech Pathology, Physical Therapy and Behavioral Sciences Programs. Total enrollment in SHS is approximately 1,280, including a first professional Doctorate degree in Physical Therapy, Masters level programs in Physician Assistant Studies, Speech-Language Pathology and Behavioral Sciences, and Bachelor and Associate degrees in Nursing.

Touro College of Dental Medicine's first class of 112 students completed their initial year in June 2017 and its second class of 111 students began their studies in July 2017. It is expected that classes of approximately 110 students will begin in each of July 2018 and July 2019. The four-year dental educational program leads to the D.D.S. degree and includes a pre-clinical basic sciences curriculum, which includes biomedical sciences, preclinical dental sciences, behavioral science and practice management followed by a two-year clinical program. TCDM is housed at the New York Medical College campus on two floors of the building at 19 Skyline Drive. The facility for the didactic program on the fourth floor was completed in September 2016 and the third floor patient care facility of approximately 50,000 square feet is near completion, which is expected in January 2018 as is the instrument processing center on the fourth floor. TCDM has access to the NYMC faculty, with their many years of experience and the pre-clinical basic science curriculum is closely integrated with medical education.

Touro College Jacob D. Fuchsberg Law Center is located in Central Islip in Suffolk County, New York. Its 168,000 square foot facility, completed in 2006, is located adjacent to Federal and State court houses and is owned by Touro. Its historical enrollment declined to 480 students in 2017 and is expected to remain at approximately 400-500 students, reflecting the national decline in law school applications. The Law School has reduced its faculty and staff headcount in response to the reduction in students.

The New York School of Career and Applied Studies, the Lander College of Arts and Sciences, the Lander College for Men and residential facilities for its students, the Lander College for Women and residential facilities for its students, the Graduate School of Education, other Graduate Programs, the School for Lifelong Education and the Institute for Professional Studies (Machon L'Parnassa) operate at owned and leased facilities in New York City and nearby counties including five facilities in Manhattan, ten facilities in Brooklyn and three facilities in Queens. The Graduate School of Education also operates at the main campus of SHS in Bay Shore in Suffolk County, New York. The administrative offices of Touro are primarily located in an additional Manhattan facility with some departments located at other Manhattan and Brooklyn locations. Limited graduate and undergraduate programs are also conducted in leased facilities in Berlin, Moscow and Jerusalem.

In order to secure Obligations issued under the Master Indenture, Touro has granted a mortgage on SHS's main campus in Bay Shore and will grant a mortgage on the housing facility for students at the Lander College for Women that it has contracted to purchase. For a further description of the mortgaged property, see "OVERVIEW OF TOURO REAL ESTATE – Obligated Group Mortgaged Property."

### ***Accreditation***

Touro is regionally accredited by the Middle States Commission on Higher Education (Middle States Commission). The Middle States Commission is an institutional accrediting agency recognized by the United States Secretary of Education and the Council for Higher Education Accreditation. This accreditation status covers Touro College, its branch campuses, locations and instructional sites in the New York area, as well as branch campuses and programs in Berlin, Jerusalem, and Moscow.

The Law School is accredited by the American Bar Association. TouroCOM is accredited by the Commission on Osteopathic College Accreditation of the American Osteopathic Association; the Physician Assistant programs are accredited by the Accreditation Review Commission on Education for the Physician Assistants, Inc. (ARC-PA); the Physical Therapy programs are accredited by the Commission on Accreditation in Physical Therapy Education; the graduate program in Speech and Language Pathology is accredited by the American Speech-Language and Hearing Association; the Nursing programs are accredited by the Commission on Collegiate Nursing Education (CCNE); the Social Work program is accredited by the Council on Social Work Education (CSWE); and the Graduate School of Education programs are accredited by the Council for Accreditation of Educator Preparation (CAEP). TouroRx has been given the status of “accredited with probation” by the Accreditation Council for Pharmacy Education (ACPE) for partial compliance with certain standards. Review of such status is scheduled to occur on January 19, 2018.

### ***Faculty***

Total faculty at Touro College has ranged from 1,279 to 1,370 over the last five academic years. For the 2016-17 academic year, there were 482 full-time faculty and 888 part-time faculty for a total of 1,370. As of April 2017, approximately 1.6% of the Touro College faculty was tenured.

### ***Labor Relations***

As of November 1, 2017, Touro employed 5,682 full and part-time personnel in staff positions. Touro provides a variety of benefits to its employees, including health insurance, long-term and short-term disability insurance, life insurance, dental and vision insurance, a 403(b) deferred compensation plan, tuition remission and reimbursement, and vacation, holidays and sick days. Currently, there are no employees at the College that are represented by a union. Management is not aware of any organizing activity or of any work disruption involving its employees. Touro considers its relationship with its employees to be good.

### ***Enrollment***

#### **Admissions Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment**

<u>TouroCOM (COM &amp; MS<sup>(1)</sup>)</u>						
<u>Academic Year</u>	<u>Applications Received</u>	<u>Students Accepted</u>	<u>Acceptance Ratio</u>	<u>Matriculation</u>	<u>Matriculation Ratio</u>	<u>Total Enrollment</u>
2013-14	5,149	332	6.45%	210	63.25%	624
2014-15	5,705	364	6.38	349	95.88	763
2015-16	6,637	713	10.74	420	58.91	961
2016-17	6,574	643	9.78	437	67.96	1,104
2017-18*	6,288	779	12.39	377	48.40	1,185

\* As of October 15, 2017.

<sup>(1)</sup> Includes 75, 79, 150, 148, and 130 students enrolled in the one-year master of science program (MS) during the 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 academic years, respectively.

**TouroRx**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	1,354	172	12.70%	100	58.14%	390
2014-15	1,182	165	13.96	76	46.06	381
2015-16	883	125	14.16	95	76.00	371
2016-17	898	124	13.81	83	66.94	347
2017-18*	818	163	19.93	68	41.72	308

\* As of October 15, 2017.

**SHS**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	3,517	974	27.69%	431	44.25%	1,157
2014-15	**	1,016	**	312	30.71	1,178
2015-16	**	1,005	**	157	15.62	1,109
2016-17	5,047	1,534	30.39	349	22.75	1,313
2017-18*	4,882	1,212	24.83	582	48.02	1,282

\* As of October 15, 2017.

\*\* Comparable data not available.

**Dental School**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2016-17	2,149	142	6.61%	112	78.87%	112
2017-18*	2,366	355	15.00	111	31.27	218

\* As of October 15, 2017.

**Law School**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	1,041	755	72.53%	205	27.15%	684
2014-15	1,072	732	68.28	187	25.55	667
2015-16	1,003	609	60.72	196	32.18	549
2016-17	1,016	511	50.30	125	24.46	467
2017-18*	1,037	611	58.92	170	27.82	480

\* As of October 15, 2017.

**Graduate Programs Enrollment**

<b>Academic Year</b>	<b>Jewish Studies</b>	<b>International Business</b>	<b>Education</b>	<b>Psychology**</b>	<b>Technology</b>	<b>Social Work</b>	<b>Total Enrollment</b>
2013-14	38	97	3,297	216	239	280	4,167
2014-15	35	101	2,745	182	218	305	3,586
2015-16	36	104	3,048	180	231	327	3,926
2016-17	38	113	2,923	-	227	336	3,637
2017-18*	43	144	2,352	-	195	323	3,057

\* As of October 15, 2017.

\*\* For academic years commencing in 2016, Graduate Psychology enrollment is included in the Division of Behavioral Science of the School of Health Sciences.

**Undergraduate Programs\*\*\***

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Fall Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	4,177	3,205	76.73%	**	**	6,780
2014-15	4,461	3,401	76.24	1,473	43.31%	6,745
2015-16	4,268	3,161	74.06	1,424	45.05	6,584
2016-17	4,425	2,620	59.21	1,465	55.92	6,396
2017-18*	4,511	2,363	52.38	1,190	50.36	6,232

\* As of October 15, 2017.

\*\* Comparable data not available.

\*\*\* Primarily Lander Colleges and New York School of Career & Applied Studies.

***Tuition and Fees***

**TOURO COLLEGE**

<b>Academic Year</b>	<b>Undergraduate Tuition*</b>	<b>Law School Tuition</b>	<b>Dental School Tuition</b>	<b>PT/OT/PA Tuition</b>	<b>DO Tuition</b>	<b>Pharm Tuition</b>	<b>Other Graduate Programs Tuition (per course/credit)**</b>
2013-14	\$15,470	\$41,770	\$ -	\$25,750	\$44,560	\$37,700	\$1,490
2014-15	15,750	44,500	-	26,200	45,850	37,700	1,520
2015-16	15,900	45,630	-	27,300- 38,430	48,140	38,000	517- 765
2016-17	16,380	47,000	61,500	28,270- 39,960	50,070	38,380	541- 1,020
2017-18*	19,170	48,410	66,250	29,570- 41,970	52,580	39,530	560-1,250

\* Approximately four courses per semester for full-time students.

\*\* Amounts for academic years commencing 2013 and 2014 reflect Other Graduate Programs Tuition per course and for academic years commencing 2015 and thereafter reflect Other Graduate Programs Tuition per credit.

\*\*\* As of October 15, 2017.

In addition to tuition, each school imposes fees of \$300-800 per year.

***Financial Aid***

Approximately 69% of the students at Touro received financial aid (in the form of loans as well as scholarships) during academic year 2016-2017. See “FINANCIAL AID” herein for the types of financial aid obtained in the past five fiscal years.

## **Touro University (“TU”)**

### ***Overview***

Founded in 1995, Touro University is a California non-profit public benefit corporation that conducts and maintains Touro University California in Vallejo, California (“TUC”) and Touro University Worldwide in Southern California (“TUW”).

### ***Touro University California Campus in Vallejo, CA***

TUC includes the College of Osteopathic Medicine (providing the Doctor of Osteopathic Medicine Degree and Masters in Medical Health Sciences) (“TUCOM”), the College of Pharmacy (providing the PharmD Degree and Masters in Medical Health Sciences) (“TURx”) and the College of Education and Health Sciences (offering Masters Degrees in Physician Assistant Studies, Public Health, Medical Health Sciences, Nursing and Education).

In 1999, TUC relocated from downtown San Francisco to the former Mare Island Naval Shipyard in the City of Vallejo, a portion of which was previously utilized as the Combat Tactical Operations School for nuclear submarine and anti-submarine warfare. Mare Island consists of approximately 5,500 acres of land, including 3,800 acres of wetland and 1,700 acres of uplands. The Naval Shipyard occupied approximately 650 acres of the upland area. After entering into a 48-year lease, including options, TUC exercised its purchase option in 2011 to acquire the approximately 44-acre campus, including six major renovated buildings containing approximately 250,000 square feet of usable space, and additional buildings that are available for future development.

TUC purchased the property on Mare Island subject to certain environmental restrictions in land use and covenanted to comply with such restrictions. The property that TUC purchased contained polychlorinated biphenyl contamination and was subject to remediation. TUC has contained and encapsulated the appropriate portions of the property. Pursuant to two separate Covenant Agreements, both between Lennar Mare Island, LLC and the California Department of Toxic Substances Control (the “Department”), the Department and the U.S. Environmental Protection Agency have determined that the site does not present an unreasonable risk to human health and the environment so long as the containment is maintained and the use is restricted. See “BONDHOLDERS’ RISKS.”

The six major buildings on the campus were retrofitted for use by TUC to include academic facilities and state-of-the-art laboratories including Anatomy, Histology, Pathology, Neuro-Anatomy, Microbiology and Osteopathic Manipulation. Facilities include physical diagnosis teaching centers, multiple classrooms, medical information systems, offices and computer laboratories. A laboratory research center, consisting of multiple labs, tissue culture room, darkroom, cold room, research equipment center and radio-isotope room, is also located on the site. A former swimming center was remodeled to house the College of Pharmacy and includes two lecture halls seating 105 students each and numerous break-out rooms for small group study. A 750-seat auditorium serves as the largest lecture hall, and two additional 150-seat lecture halls were added on to the main building. The building also contains a gymnasium, racquetball courts, and fitness room.

The former base commissary has been converted into a modern medical library including two large reading rooms, two small conference rooms, one large conference room, audio-visual facilities, a large computer room, a pharmacy skills laboratory, a 65-seat classroom, and administrative offices for the Information Technology Department. The library is connected to all major electronic reference services including the Library of Congress and the internet.

The former officers' club with its existing dining facilities, kitchen facilities, ballrooms and various lounges, has been modernized and re-designated as TUC's Student Activity Center. Two large classrooms and several smaller rooms are used for regular classes, continuing medical education and post-graduate education. Four additional buildings were updated to house administrative and student services offices, the student health clinic, and several groupings of faculty offices.

In 2015, TUC added a School of Nursing which required additional classrooms, laboratories and administrative offices. In order to accommodate this expansion, TUC leased 1091 Azuar Drive on Mare Island, approximately 1.5 miles from the main campus buildings. The building is 3,660 square feet in size and is leased through April 30, 2019 with an option to renew for an additional three years.

Also in 2015, TUC needed additional administrative office space to account for growth in the Division of Student Affairs, College of Education and Health Sciences, and Human Resources Department. TUC leased 690 Walnut Avenue on Mare Island, approximately 2.1 miles from the main campus buildings. This building is 10,993 square feet in size and is leased through January 31, 2021 with an option to renew for an additional five years.

In order to secure Obligations issued under the Master Indenture, TUC has granted a deed of trust on its main campus on Mare Island. For a further description of the mortgaged property, see "OVERVIEW OF TOURO REAL ESTATE – Obligated Group Mortgaged Property" herein.

### ***Touro University Worldwide ("TUW")***

TUW, located in Los Alamitos, California, was founded in 2008 to replace Touro University International ("TUI"), the University's online university that was sold in 2007. Following the expiration of the initial phases of the non-compete agreement entered into upon the sale of TUI, TUW course offerings commenced in 2010. The following degrees are offered by TUW in 2017: Bachelors Degrees in Business Administration, Psychology, Health Sciences, and Social Work; Masters Degrees in Psychology, Industrial and Organizational Psychology, Marriage and Family Therapy, Business Administration (MBA), Health Sciences, Human Resource Management, Dispute Resolution and Public Administration; and Doctorate Degree in Psychology. TUW enrollment increased at an annual rate of approximately 50% from 180 students in Fall 2012 to 1,275 students in Fall 2017.

TUW also operates Touro College Los Angeles, which was founded in 2005 to offer a dual curriculum program of Judaic and general studies similar to the Lander Colleges in New York. Touro College Los Angeles is located in leased facilities in West Hollywood, CA and currently has 75 students. Touro College Los Angeles charges tuition in approximately the same amount as the Lander College in Touro College's undergraduate program.

## ***Accreditation***

TU and TUV are each regionally accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges (“WASC”). The professional programs of TUC are each accredited by the same national accreditation bodies as Touro College programs.

## ***Faculty***

Total faculty at TU has ranged from 159 to 351 over the last five academic years. For the 2016-17 academic year, there were 122 full-time faculty and 229 part-time faculty for a total of 351. As of April 2017, none of the TU faculty was tenured.

## ***Labor Relations***

As of April 2017, TU employs 812 full and part-time personnel in staff positions. TU provides a variety of benefits to its employees, including health insurance, long-term and short-term disability insurance, life insurance, a 403(b) deferred compensation plan, tuition remission and reimbursement, and vacation, holidays and sick days. Currently, there are no employees at TU that are represented by a union. Management is not aware of any organizing activity or of any work disruption involving its employees. TU considers its relationship with its employees to be good.

## ***Enrollment***

### **Admissions Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment**

<b>Academic Year</b>	<b>TU</b>					
	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	9,176	1,427	15.55%	626	43.87%	1,741
2014-15	9,928	1,875	18.89	809	43.15	2,001
2015-16	11,657	2,450	21.02	1,128	46.04	2,305
2016-17	11,211	2,367	21.11	1,397	59.02	2,523
2017-18*	10,472	2,049	19.57	1,406	68.62	2,811

\* As of October 15, 2017.

### **TU Enrollment Summary**

<b>Academic Year</b>	<b>Other Health Care Degrees</b>						
	<b>TUCOM</b>	<b>TURx</b>	<b>PA</b>	<b>Education</b>	<b>TUV</b>	<b>TC-LA</b>	
2013-14	540	405	123	147	148	273	105
2014-15	548	415	120	170	155	513	80
2015-16	544	405	121	143	178	814	100
2016-17	604	412	121	155	140	1,018	73
2017-18*	620	387	141	155	178	1,255	75

\* As of October 15, 2017.

## ***Tuition and Fees***

### **HEALTH PROFESSIONS\*\***

<b><u>Academic Year</u></b>	<b><u>Tuition (PA)</u></b>	<b><u>Tuition (DO)</u></b>	<b><u>Tuition (Pharm)</u></b>	<b><u>Other Fees (per student)</u></b>
2013-14	\$44,025	\$47,100	\$41,530	\$240-1,750
2014-15	44,460	48,510	42,780	260-1,770
2015-16	44,925	49,950	44,490	275
2016-17	46,275	51,450	44,100	275
2017-18*	44,925	53,500	45,800	275

\* As of October 15, 2017.

\*\* Includes all Schools and Colleges in TU except TUW and Touro College Los Angeles.

### **TUW**

<b><u>Academic Year</u></b>	<b><u>Tuition (per course/credit)**</u></b>	<b><u>Annual Other Fees</u></b>
2013-14	\$ 1,500	\$400
2014-15	400-700	400
2015-16	400-700	0
2016-17	400-700	0
2017-18*	400-700	0

\* As of October 15, 2017.

\*\*Tuition amount for the academic year commencing 2013 is per course and for academic years commencing 2014 and thereafter is per credit.

## ***Financial Aid***

Approximately 71.6% of the students at TUC received financial aid (in the form of loans as well as scholarships) in academic year 2016-17. See “FINANCIAL AID” herein for the types of financial aid obtained in the past five fiscal years.

## **Touro University Nevada (“TUN”)**

TUN was founded in 2004 as a separate not-for-profit entity, established by Touro College as a branch campus of TUC. TUN operates programs on an approximately 15-acre site within the Black Mountain Business Park in Henderson, Nevada, just outside Las Vegas, including two buildings. TUN currently occupies approximately 178,000 square feet of custom built-out space in Building One, with classrooms and laboratories, offices, a university library, common spaces and clinics. The remainder of currently vacant space in Building One can accommodate up to approximately 100,000 square feet of additional university uses. TUN does not currently use Building Two. Building Two is currently occupied 100% by three rental tenants. Building Two can accommodate up to 200,000 square feet of potential university space for future use.

TUN includes the College of Osteopathic Medicine and the College of Health and Human Services. In addition to its medical program leading to the Doctor of Osteopathic Medicine degree, the College of Osteopathic Medicine offers programs leading to a Master of Medical Health Sciences (MHS). The College of Health and Human Services offers programs leading to Bachelor of Science in Nursing (returning RN options) (BSN), Master of Physician

Assistant Studies (MPAS), Master of Science in Nursing (MSN), Doctor of Nursing Practice (DNP), Master of Occupational Therapy (MSOT), Occupational Therapy Doctorate (OTD), Doctor of Physical Therapy (DPT), Master of Education (Administration and Special Ed Generalist) (MEd), and Education endorsement programs.

In order to secure Obligations issued under the Master Indenture, TUN granted a deed of trust on its campus in Henderson, Nevada and will grant an additional deed of trust on such property in connection with the bonds issued by the City of Henderson, Nevada Public Improvement Trust (the “HPIT Series 2017 Bonds”). For a further description of the mortgaged property, see “OVERVIEW OF TOURO REAL ESTATE – Obligated Group Mortgaged Property” herein.



### ***Accreditation***

Operating as a branch campus of TUC, TUN is included within the WASC accreditation of TUC. The professional programs are accredited by the same national accreditation bodies as Touro College and TU programs.

### ***Faculty***

Total faculty at TUN has ranged from 172 to 245 over the last five academic years. For the 2016-17 academic year, there were 77 full-time faculty and 168 part-time faculty for a total of 245. As of April 1, 2017, none of the TUN faculty was tenured.

### ***Labor Relations***

As of July 1, 2017, TUN employs 551 full and part-time personnel in staff positions. TUN provides a variety of benefits to its employees, including health insurance, long-term and short-term disability insurance, life insurance, a 403(b) deferred compensation plan, tuition remission and reimbursement, and vacation, holidays and sick days. Currently, there are no employees at TUN that are represented by a union. Management is not aware of any organizing activity or of any work disruption involving its employees. TUN considers its relationship with its employees to be good.

### ***Enrollment***

TUN is home to more than 1,200 students in a wide range of degree programs in nursing, health science and education, as well as osteopathic medicine. Many of these programs are the

first of their kind in the state of Nevada. See “Strategic Directions and Capital Projects” for a description of TUN’s planned enrollment growth and facility expansion.

**Admissions Statistics Summary**  
**Applications, Acceptances, Matriculations and Total Enrollment**

**TUN (COM & PA)**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	4,063	406	9.99%	197	48.52%	662
2014-15	4,867	344	7.07	198	57.56	718
2015-16	6,703	665	9.92	175	26.32	670
2016-17	3,399	358	10.53	178	49.72	656
2017-18*	2,893	404	13.96	192	47.52	662

\* As of October 15, 2017.

**Enrollment**  
**Other TUN Colleges**

<b>Academic Year</b>	<b>OT</b>	<b>PT</b>	<b>Medical Health Science</b>	<b>Camp Administration</b>	<b>Education</b>	<b>Nursing</b>	<b>Total Enrollment</b>
2013-14	69	120	30	14	206	28	467
2014-15	75	120	31	24	263	81	594
2015-16	72	124	29	30	110	129	494
2016-17	71	120	27	24	221	132	595
2017-18*	75	120	39	13	87	154	488

\* As of October 15, 2017.

***Tuition and Fees***

**TUN**

<b>Academic Year</b>	<b>Tuition (PT/OT/PA)</b>	<b>Tuition (DO)</b>	<b>Other Fees</b>
2013-14	\$29,070-34,170	\$47,100	\$1,700
2014-15	30,200-35,535	48,510	1,645
2015-16	31,200-36,600	49,950	275-1,660
2016-17	32,745-37,695	51,450	375-1,760
2017-18*	34,350-39,000	53,600	275-1,970

\* As of October 15, 2017.

***Financial Aid***

Approximately 70% of the students at TUN received financial aid (in the form of loans as well as scholarships) in academic year 2016-17. See “FINANCIAL AID” herein for the types of financial aid obtained in the past five fiscal years.

## **New York Medical College (NYMC)**

In May 2011, NYMC became a member of the family of graduate and professional schools in the Touro System. Founded in 1860, NYMC is an independent medical school and health sciences college located on 54 owned acres (including property purchased with the Skyline building described below), plus use of an additional 15 acres of county-owned land, as part of the campus in Valhalla, Westchester County, New York.

NYMC has expanded and transformed its campus to improve connectivity and offer students new opportunities to enhance their education. In 2013, NYMC acquired 19 Skyline Drive, a 250,000-square-foot, five-story building providing essential space for offices and new programs. Skyline Drive is now home to the Touro College of Dental Medicine, the first new dental school in New York State in nearly 50 years. NYMC also renovated a portion of its 7 Dana Road building to house a state-of-the-art Clinical Skills and Simulation Center, Disaster Medicine Training Center and a biotechnology incubator. A new campus walkway was installed linking 7 Dana Road with the other academic buildings on the main campus and a new driveway linking 19 Skyline Drive to the main campus was constructed to allow vehicles and pedestrians to freely move throughout the entire expanded campus. See “STRATEGIC DIRECTION AND CAPITAL PROJECTS” herein.

NYMC is comprised of three primary divisions: the School of Medicine, the School of Health Sciences and Practice (formerly known as the School of Public Health), and the Graduate School of Basic Medical Sciences. It has approximately 1,500 students, 1,000 residents and clinical fellows, more than 2,600 faculty members, and 22,000 living alumni. Touro continues to explore opportunities to expand its health sciences and health professions programs through its affiliation with NYMC. NYMC has affiliation agreements with several teaching hospitals, with the largest of such arrangements for students at Westchester Medical Center, St. Joseph’s University Medical Center and New York City Health and Hospitals/Metropolitan Hospital. The affiliation agreement with Westchester Medical Center, the largest of such arrangements, was extended for an additional twelve years in 2017 with an option to extend the agreement for an additional twelve years.

The School of Medicine offers a Doctor of Medicine (M.D.) degree. The School of Health Sciences and Practice offers the Master in Public Health (M.P.H.) degree in Behavioral Sciences and Health Promotion, Environmental Health Science, Epidemiology, and Health Policy and Management; the Master of Science (M.S.) degree in Biostatistics and Epidemiology; the Doctor of Public Health (Dr.P.H.) degree in Health Policy and Management; in the area of Physical Therapy, Doctor of Physical Therapy (D.P.T.); in the area of Speech-Language Pathology, the Master of Science (M.S.) degree. The Graduate School of Basic Medical Sciences offers a Doctor of Philosophy (Ph.D.) or Master of Science (M.S.) degrees in one of the following scientific disciplines - biochemistry and molecular biology, cell biology, microbiology and immunology, pathology, pharmacology, or physiology. NYMC also offers joint degrees: M.D./M.P.H., M.D./Ph.D., and D.P.T./M.P.H.

In order to secure Obligations issued under the Master Indenture, NYMC has granted a mortgage on its Medical Education Center and Basic Sciences Building, its Skyline Building and its Dana Road property. For a further description of the mortgaged property, see “OVERVIEW

OF TOURO REAL ESTATE – Obligated Group Mortgaged Property” herein. The Skyline Building is shown below.



### ***Accreditation***

NYMC is separately accredited by the Middle States Commission and in 2016, the accreditation was extended for an additional 5 years. Programs at NYMC similar to Touro programs are separately accredited by the same national organizations. In addition, NYMC’s MD program is accredited by the Liaison Committee on Medical Education and in 2016 the accreditation was renewed for the maximum period of eight years.

### ***Faculty***

Total faculty at NYMC has ranged from 336 to 385 over the last five academic years. For the 2016-17 academic year, there were 337 full-time faculty and 48 part-time faculty for a total of 385. As of April 2017, approximately 21% of the NYMC faculty was tenured.

### ***Labor Relations***

As of April 2017, NYMC employs 1,173 full and part-time personnel in staff positions. NYMC provides a variety of benefits to its employees, including health insurance, long-term and short-term disability insurance, life insurance, pension plans, tuition remission and reimbursement, and vacation, holidays and sick days. Approximately 117 of NYMC’s employees are represented by three unions: 1199 SEIU/League expiring September 30, 2018; Local 32BJ, SEIU expiring September 30, 2018; and International Union Security Police Fire Professionals of America and its Affiliated Local Union No. 528 expiring September 30, 2019. Management is not aware of any other organizing activity or of any work disruption involving its employees. NYMC considers its relationship with its employees to be good.

## ***Enrollment***

### **Admissions Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment**

#### **NYMC - Medical School**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	9,357	612	6.54%	200	32.68%	829
2014-15	12,474	541	4.34	196	36.23	818
2015-16	13,235	560	4.23	202	36.07	845
2016-17	12,738	621	4.88	213	34.30	851
2017-18*	12,478	639	5.12	216	33.80	871

\* As of October 15, 2017.

#### **NYMC – Master of Public Health**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	280	193	68.93%	102	52.85%	357
2014-15	288	205	71.18	125	60.98	302
2015-16	200	157	78.50	48	30.57	247
2016-17	240	213	88.75	77	36.15	240
2017-18*	219	202	92.24	84	41.58	245

\* As of October 15, 2017.

#### **NYMC – Doctor of Public Health**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	7	4	57.14%	3	75.00%	30
2014-15	7	6	85.71	6	100.00	22
2015-16	27	12	44.44	5	41.67	20
2016-17	20	9	45.00	5	55.56	23
2017-18*	29	10	34.48	5	50.00	24

\* As of October 15, 2017.

#### **NYMC – Doctor of Physical Therapy**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	460	91	19.78%	36	39.56%	104
2014-15	662	93	14.05	40	43.01	107
2015-16	591	161	27.24	40	24.84	116
2016-17	583	101	17.32	44	43.56	121
2017-18*	542	126	23.25	46	36.51	126

\* As of October 15, 2017.

**NYMC – Speech and Language Pathology**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	150	56	37.33%	32	57.14%	60
2014-15	260	82	31.54	35	42.68	67
2015-16	385	94	24.42	35	37.23	70
2016-17	269	89	33.09	35	39.33	68
2017-18*	321	84	26.17	39	46.43	70

\* As of October 15, 2017.

**NYMC – PhD**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	56	20	35.71%	9	45.00%	37
2014-15	58	20	34.48	12	60.00	37
2015-16	62	19	30.65	10	52.63	45
2016-17	46	10	21.74	4	40.00	38
2017-18*	41	15	36.59	10	66.67	38

\* As of October 15, 2017.

**NYMC – Masters**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b>Acceptance Ratio</b>	<b>Matriculation</b>	<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
2013-14	379	166	43.80%	52	31.33%	110
2014-15	376	170	45.21	62	36.47	111
2015-16	383	183	47.78	62	33.88	112
2016-17	233	129	55.36	52	40.31	103
2017-18*	246	144	58.54	46	31.94	102

\* As of October 15, 2017.

***Tuition and Fees***

**NYMC**

<b>Academic Year</b>	<b>Resident Medical Students Tuition</b>	<b>Room</b>	<b>Other Fees</b>	<b>Total</b>
2013-14	\$49,710	\$20,894	\$2,016	\$72,660
2014-15	52,200	13,774	2,546	68,520
2015-16	52,200	9,637	2,546	64,383
2016-17	52,200	10,380	3,370	65,950
2017-18*	52,720	10,500	2,602	65,822

\* As of October 15, 2017.

***Financial Aid***

Approximately 78% of the students at NYMC received financial aid (in the form of loans as well as scholarships) during academic year 2016-2017. See “FINANCIAL AID” herein for the types of financial aid obtained in the past five fiscal years.

## **Hebrew Theological College**

Hebrew Theological College (HTC), established in 1922, became a member of the Touro College and University System on June 30, 2015. Located in Illinois, HTC is committed to the advancement of scholarship in accordance with the principles of Orthodox Judaism, providing academic programs to produce Torah scholars, and to produce Torah-imbued college graduates and superior advanced graduate and professional programs for all qualified students who, upon graduation, will serve the Jewish community and humanity through their professional and personal vocations.

Similar to the Lander Colleges, HTC provides a full range of course offerings leading to a Bachelor of Arts degree in Judaic Studies for both men and women at their separate men's and women's college campuses, including a year abroad program for study in Israel. Options for additional majors include Accounting, Business, Computer and Information Sciences, Education, English and Psychology. The School of Liberal Arts and Sciences has also introduced a variety of courses preparing students for graduate and professional studies in allied health sciences. Following the affiliation with the Touro System, students also have access to online courses offered by Touro campuses in New York and California. HTC has been given the status of "accredited with probation" by the Higher Learning Commission.

HTC also operates a high school for boys and summer program on the campus of the men's college which act as a feeder to the men's college.

### **Other Entities**

Yeshivas Ohr Hachaim (the "Yeshiva") is also Touro's Institute of Higher Jewish Studies. Students who wish to pursue a traditional Jewish Studies track have the option of attending Yeshivas Ohr Hachaim on a full-time basis. The Yeshiva offers morning, afternoon and evening sessions and students can pursue their secular studies in the evening at the nearby Lander College for Men, the Lander College of Arts and Sciences in Brooklyn or at other colleges or universities with compatible evening or weekend programs. The Yeshiva's main building is located in Kew Gardens Hills, Queens, New York and in addition to large study halls, classrooms and dining facilities also provides dormitory accommodations on the upper floors.

Yeshivas Ohr Hachaim also operates high schools in three locations that act as feeders to the College level program. The larger is located in a modern facility adjacent to the Yeshiva's main building and provides a complete academic facility with dormitories on the upper floors. A smaller high school located in Monsey, New York closed in 2016. New locations were opened in Waterbury, Connecticut in 2016 and in Philadelphia, Pennsylvania in 2017.

The College has several small related foundations, with the Law School Foundation being the only active foundation at this time.

Neither HTC nor any of these other entities are part of the Obligated Group and therefore their revenues and assets are not available to pay the Obligations of the Obligated Group. Revenues from related entities that are not members of the Obligated Group have been, on average, less than \$12 million per year. Their assets, which are primarily fixed assets, have a book value of approximately \$59 million as of June 30, 2017.

## OVERVIEW OF TOURO REAL ESTATE

As noted above, the System owns certain of its properties and leases others. Set forth below is a listing of the major owned facilities mortgaged under the Master Indenture and the book value of each as of June 30, 2017. The second chart below is a listing of other real estate owned by members or affiliates of the System. Book value reflects the cost of the facilities less the accumulated depreciation and does not necessarily reflect the market value of such property. Two properties with a combined book value of \$55.1 million on June 30, 2017 have since been sold and are not included in the tables below. Such properties were not mortgaged under the Master Indenture. See “OUTSTANDING DEBT” herein.

### Obligated Group Mortgaged Property<sup>(1)</sup>

<u>Location</u>	<u>Purpose</u>	<u>Book Value (\$ million)</u>
<u>TUC</u>		
1310 Club Drive, Mare Island, Vallejo, California	TUC campus	\$26.0
<u>TUN</u>		
874 and 882 American Pacific Drive, Henderson, Nevada	TUN campus	37.9
<u>NYMC</u>		
30 Sunshine Cottage Road, Valhalla, New York	Medical Education Center and Basic Sciences Building	50.6
19 Skyline Drive, Hawthorne, New York	Administrative, Services, Various Programs	33.9
7 Dana Road, Valhalla, New York	Various Programs	16.7
<u>Touro-SHS</u>		
1700 Union Blvd., Bay Shore, New York	Main campus of SHS	5.3
<u>Touro-Lander College for Women<sup>(2)</sup></u>		
625 West 59 <sup>th</sup> Street, New York, New York (condominium units comprising four floors)	Dormitory	--

<sup>(1)</sup> Mortgages and deeds of trust on these properties are granted to secure Obligations issued under the Master Indenture.

<sup>(2)</sup> The College has contracted to purchase this property and has proposed to the seller that the closing occur on the date of issuance of the DASNY Series 2017 Bonds. However, either party would have the right to postpone the closing until January 31, 2018 and the closing would be subject to certain standard closing conditions in the industry. Delivery of a mortgage in recordable form is a condition to the use of the proceeds of the DASNY Series 2017 Bonds to pay a portion of the purchase price of the property.

## Other Owned Real Estate

Location	Purpose	Book Value (\$ million)
<u>NYMC</u>		
40 Sunshine Cottage Road, Valhalla, New York	Other buildings on the Campus of NYMC	\$49.3
<u>Touro College</u>		
<u>Touro - Lander Colleges</u>		
1602-1606 Ave. J, Brooklyn, New York	Campus for Lander College of Arts and Sciences (LCAS) <sup>(1)</sup>	13.1
2002 Avenue J, Brooklyn, New York	Annex of LCAS under development <sup>(1)(2)</sup>	3.9
225 West 60th Street New York, New York	Campus for LCW <sup>(1)</sup>	33.1
76-01 to -17 150th Street, Queens, New York	Campus and Student housing for Lander College for Men <sup>(1)</sup>	26.7
153-01 to -07 76 <sup>th</sup> Road, Queens, New York	Additional Student Housing <sup>(1)</sup>	4.0
58-64 Wenliss Terrace, Wappinger Falls, New York	Residential rental property received as part of legal settlement	0.7
<u>Touro - Law School</u>		
225 Eastview Drive, Central Islip, New York	Law School <sup>(1)</sup>	29.9
<u>Yeshivas</u>		
141-61 71st Ave, Queens, New York	Main campus and student housing for Yeshivas Ohr Hachaim	4.0
Rod & Gun Club Road, Forestburgh, New York	Birchwood Estates-Summer campus and camp for Yeshivas Ohr Hachaim	6.0
141-39 71st Ave, Queens, New York	Campus and student housing for the Yeshiva High School	17.0
141-24, -35, -37 71 <sup>st</sup> Avenue, Queens, New York	Additional housing for Yeshiva	1.8
71-02 113 <sup>th</sup> Street, Forest Hills, New York	Former home of the Yeshiva HS, now rented to an unrelated yeshiva and used by branches of Touro's graduate and undergraduate programs	2.4
874 May Street, Naugatuck, Connecticut	High School facility under construction	0.6
<u>Hebrew Theological College</u>		
7125-35 N. Carpenter Road, Skokie, Illinois	Men's College and high school academic facility and dormitory	6.9
2600 West Touhy Avenue, Chicago, Illinois	Women's academic facility	0.6
2606-08 West Touhy Avenue, Chicago, Illinois	Classrooms and Dormitory	0.6
2601-07 West Jarlath Avenue and 7224 North Rockwell, Chicago, Illinois	Student housing	1.60
1233-43 West Pratt Blvd., Chicago, Illinois	Vacant land	0.6

<sup>(1)</sup> A mortgage on this property secures outstanding indebtedness other than Obligations issued under the Master Trust Indenture. See "Outstanding Debt".

<sup>(2)</sup> The mortgage on this property was extended through December 2017 and is expected to be refinanced and increased to finance the redevelopment of this facility.

Touro also leases space from time to time. While some leases are longer in duration, most leases usually are for 5-10 years with options to renew. Future commitments under non-cancellable operating leases total \$73.4 million. See Note 18(a) to the June 30, 2017 Touro College and related entities consolidated financial statements. Touro also leased back certain property sold after June 30, 2017 under a lease that is expected to remain in effect until the new dormitory for the Lander College for Women is ready for occupancy.

## **STRATEGIC DIRECTION AND CAPITAL PROJECTS**

Touro's current five-year plan involves building on the operations of existing programs, improving student outcomes, continuing to introduce or expand health science programs at its medical campuses and continuing to integrate NYMC and HTC into the System. Consistent with this approach, Touro continues to undertake new capital projects, described below. Touro's extension campus of TouroCOM in Middletown, New York, will graduate its first class of osteopathic physicians in May 2018. In addition to a current Master of Science program, Touro is exploring other allied health programs that could be added to this campus. A portion of NYMC's Skyline building is being used to house administrative offices, the academic and clinical facilities of TCDM and is expected to later accommodate allied health programs of NYMC and Touro, including expansion of existing NYMC programs at the Valhalla campus. Additional programs at NYMC could include Touro programs in nursing, occupational therapy and physician assistant studies. Critical to Touro's future plans are expanded and improved technology for its academic programs and maximizing the benefits of the new enterprise-wide data processing system to improve administrative and student services. In addition, the System is focusing on new ways to expand its research programs and substantially increase its endowment, while making important investments in key areas to promote organic growth. Set forth below are the major capital projects currently being developed by the System. Touro periodically evaluates its strategic direction and may change the projects and programs described below, may determine not to proceed with any of the projects and programs described below and may add new projects and programs from time to time.

### *Lander College for Women Housing*

In October 2017, Touro sold its building located at 10 West 65<sup>th</sup> Street in New York City, which currently houses 101 students. There are also 33 public rent restricted units in the building. This building is located approximately seven blocks from the campus. Historical rental income at this property has been declining as units have been slowly removed from the public rent restrictions to be converted to student housing. Operating expenses were approximately \$850,000 per year, excluding depreciation and capital improvements. Additionally, annual debt service was approximately \$1,500,000 and, because of the public units, Touro paid in excess of \$300,000 per year in property taxes on this site. Touro's other student residence at 175 West 85<sup>th</sup> Street, 25 blocks from the campus, currently houses 70 students with rent, operating expenses and property taxes totaling approximately \$935,000 per year. The student dormitory fees for both buildings in 2017 were approximately \$1,400,000 in addition to the public apartment rentals. The net proceeds from the sale of 10 West 65<sup>th</sup> Street were approximately \$56 million, with a sale price of \$79 million, the pay-off of an approximately \$22.5 million mortgage, and other closing expenses.

Using a portion of the net proceeds of the sale of the 10 West 65<sup>th</sup> Street property as equity and the proceeds of the DASNY Series 2017 Bonds, Touro plans to purchase the condominium units comprising the second through fifth floors of a building located at 625 West 59<sup>th</sup> Street, and improve the space to serve as its dormitory for the Lander College for Women. The condominium includes a dedicated entrance and lobby and four floors (a total of approximately 68,000 sq. ft.) that will contain approximately 180 dormitory beds, 9 study/lounge rooms, and some ancillary spaces. This building is located around the corner from the Women's College located at 227 West 60<sup>th</sup> Street. The purchase price for the condominium interest is \$62.5 million and improvements are expected to cost approximately \$11 million. When operational, this facility is expected to generate

estimated income in excess of \$1.85 million per year (assuming full occupancy and room rates of approximately \$10,000 per student per year), with estimated operating expenses of approximately \$1 million per year (assuming the property is exempt from real property taxes). These estimated results are based on certain assumptions, which may not materialize. In addition, unanticipated events may affect estimated results. Touro has assumed that it will not renew its lease of the 175 West 85<sup>th</sup> Street building and will terminate its temporary lease-back of 10 West 65<sup>th</sup> Street at the end of academic year 2017-18.

### *Touro's Manhattan Facilities*

Touro's executive offices, central administrative departments, programs of SHS, most of the non-medical graduate programs and the Manhattan campus of NYSCAS, are located in leased space in two buildings on West 23<sup>rd</sup> Street in Manhattan and additional rented space at 65 Broadway, 232 West 40<sup>th</sup> Street and 500 Seventh Avenue. The leases on these properties expire between 2018 and 2020. Touro has been looking to consolidate its headquarters and classrooms in better-designed and more-efficient space and has been seeking to acquire or lease space of approximately 250,000 square feet in midtown Manhattan but has been unable to locate appropriate space. In order to accommodate current and future needs, Touro has negotiated extensions for the 65 Broadway and West 40<sup>th</sup> Street locations and negotiations are ongoing with the landlords of the West 23<sup>rd</sup> Street and 500 Seventh Avenue locations, as well as several other possible locations.

### *Information Technology*

Touro has been upgrading its information technology to better serve its students, to enhance its traditional educational offerings, and to keep current with developments in online education. As such, it has been modernizing and expanding its technological infrastructure, including moving to more server-based applications, expanding wireless coverage, and increasing technology in the classroom. Its most significant IT initiative was to replace its existing Student Information and Administrative Systems with an integrated state-of-the-art enterprise-wide system that is providing greater student empowerment and self-service. Improved and more robust analytical reporting capabilities continue to be introduced while maintaining strict regulatory compliance. As the system has been implemented, staffing costs in the student services area have been reduced. IT expenditures since implementation commenced in 2014 was about \$14,000,000 and is expected to be approximately \$16,500,000 per annum for the next several years.

### *TUN Project*

Touro plans to build out additional academic space and faculty offices in order to accommodate a substantial increase in class size for its College of Osteopathic Medicine. The increase is a result of an accreditor-sanctioned increase in class size of 46 students, and once all four classes of students are enrolled, is estimated to result in additional gross revenue of approximately \$10 million per year (current annual tuition of \$53,600 per student). Additionally, TUN in 2017-2018 has begun offering the Occupational Therapy Doctorate degree (OTD) for those OT students graduating with a Touro Master's Degree. In 2019-2020, TUN will be making this a mandatory rather than optional offering, which is estimated to result in additional gross revenue of \$1.25 million for the additional year of instruction for approximately 35 students (current annual tuition of \$34,350 per student). Also, in 2017, the ARC-PA approved TUN's request to increase class size from 60 students per year to 80 students per year over the next four years. This is

estimated to result in additional revenue of approximately \$1.8 million per year (current tuition for this seven semester program of approximately \$95,000).

By the year 2020-2021, Touro University Nevada is estimated to recognize additional gross revenue from just these three programs of over \$13 million. Operating expenses associated with the increased enrollment are expected to increase by about 25% of the increase in revenue because the academic infrastructure to support the additional enrollment already exists. These estimated results are based on certain assumptions, which may not materialize. In addition, unanticipated events may affect estimated results. In order to accommodate the growth in class size, new physical teaching spaces, new laboratories, new offices, new study rooms and new common area spaces are required. The University expects to use the proceeds of the HPIT Series 2017 Bonds to fund the development of these facilities within the facilities it currently owns but has not yet used for its operations.

#### *Dana Road Clinical Skills, Disaster Medicine, Biotechnology Incubator and Training Center*

NYMC acquired a 120,000 square foot facility (the Dana Road building) in 2005. Approximately 15,000 square feet of the building is used as a clinical skills and disaster medicine center and 6,700 square feet as a biotechnology incubator center and training facility, with the remainder of the building being held for future development. NYMC intends to further expand the biotechnology incubator to attract businesses in the vicinity of NYMC and provide research and administrative facilities for start-up enterprises from around the world.

#### *Skyline Project at New York Medical College*

NYMC acquired a 248,000 square foot facility adjacent to its Valhalla campus (the Skyline Building) in April 2013. A portion of the new facility is used as expansion space for the existing NYMC campus, an alternative for operations that were housed in a building on the campus which is in need of extensive repair, and space for various new and expanded programs (subject to regulatory approval) detailed below. Approximately 100,000 square feet is the home for the new dental school, as discussed below.

#### *Touro College Nursing – BS/RN – at New York Medical College*

Touro plans to create a Bachelor of Science completion program for practicing nurses (RN), which it expects to locate at NYMC. The program will be geared to nurses who already have their RN degrees but never completed their bachelor's degree. The program at NYMC will be based on Touro's existing nursing program in Brooklyn, New York. Touro projects to have about 125 students in this new program at NYMC with the first class expected to enter in the Fall 2018 semester. The first class is expected to consist of approximately 40 students.

#### *Touro College of Dental Medicine at NYMC*

In July 2016, TCDM admitted a cohort of 112 students to the first year of its four-year program in Dental Medicine. Touro and NYMC intend for TCDM to take advantage of synergies with existing NYMC medical school faculty and resources. TCDM is expected to eventually include a dental hygienist program and other related programs. The costs to develop the dental school facility, including specialized improvements and equipment, has been financed with a portion of the proceeds of the Dormitory Authority of the State of New York Touro College and University System Obligated Group Revenue Bonds, Series 2014A, equipment leasing, government

grants and through fundraising campaigns for the new dental school. Classrooms, faculty offices, academic support facilities, student spaces and a state-of-the-art clinical skills laboratory were completed during the summer of 2016. Touro and NYMC are completing the first phase of the clinical facility where students will train on actual patients for two years. The initial phase for the clinical facility is nearing completion and is expected to open in January 2018. A second phase to accommodate the training of the full complement of third and fourth year students is expected to be completed in the next academic year.

### *Hebrew Theological College*

In addition to the coordination of the existing HTC programs with the resources and experience of the System's undergraduate programs, Touro is exploring the development of certain of its health science programs at HTC and in that regard has contracted to purchase an additional facility where such programs could be housed.

### *Various Other Programs*

The first Touro and NYMC joint program to leverage their respective strengths and existing programs is a Master of Science in Biology Education, building on Touro's expertise in Education and NYMC's in the life sciences. This two-year part-time program started in September 2014.

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## GOVERNANCE

### **Board of Trustees**

The Bylaws provide that the Board of Trustees shall consist of no less than five nor more than twenty-three members. The Board currently consists of twenty-one members. A group of twenty-one individuals currently comprise the Board of Trustees of Touro College, as well as the Boards of TU, TUN and HTC which are comprised of the same trustees. One third of the Board members are re-elected every year to serve for a three-year term. The current members of the three Boards are as follows:

Dr. Mark Hasten – Chairman  
Retired Bank Owner

Abraham Gutnicki  
Gutnicki, LLP

Alan Kadish, M.D.  
President and Chief Executive Officer  
Touro College & University System

Leah Karfunkel  
Alumni Parent

Rabbi Doniel Lander  
Chancellor-Touro College &  
University System  
Dean and Vice President-  
Yeshivas Ohr Hachaim

Brian Levinson  
Platinum Health Care

David Lichtenstein  
President  
The Lightstone Group

Abraham Biderman  
Eagle Advisors, LLC

Martin Oliner, Esq.  
President  
First Lincoln Holdings, Inc.

Shmuel Braun  
Gilder Gagnon Howe & Co., LLC

Larry Platt, M.D.  
Ob Gyn – Physician

Benjamin Chouake, M.D.  
Owner Physician  
Emergimed

Stephen Rosenberg  
Chief Executive Officer  
Greystone Corporation

Allen Fagin  
Executive Vice President  
Orthodox Union

Zvi Ryzman  
President and CEO  
American International Industries

Howard Friedman  
Lanx Capital, LLC

Israel Sendrovic  
Retired  
Federal Reserve Bank of New York

Rabbi Menachem Genack  
Orthodox Union  
CEO OU Kosher

Jack Weinreb  
Weinreb Management Co.

Solomon Goldfinger  
Retired Senior Vice President  
N.Y. Life Insurance Company

Rabbi Shabsai Wolfe  
S.W. Management

The Boards meet regularly and maintain the following committees: Budget and Finance (including the Investment Subcommittee), Audit, Academic Affairs, Real Estate, Legal and External Affairs, Development and Trustees.

### **NYMC – Board of Trustees**

The Bylaws provide that the NYMC Board of Trustees shall consist of no less than fifteen nor more than thirty-five members. The NYMC Board of Trustees currently consists of twenty-one members. One third of the NYMC Board of Trustees is re-elected every year to serve for a three-year term. The current composition of the NYMC Board of Trustees is as follows:

Dr. Mark Hasten – Chairman  
Touro Board Member

Joseph Mark  
HRP Capital Inc., President

Alan Kadish, MD – President & CEO  
Touro College & University System

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NY Orthopedics

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Munr Kazmir, MD  
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Cytodiagnosis & Breast Care Center,  
Englewood Hospital

Moshe Lichtenstein  
The Lightstone Group

The NYMC Board meets regularly and maintains the following committees: Academic Affairs, Audit, Committee on Trustees, Development, Executive, Facilities and Real Estate and Finance/Investment.

### **Key Management Resumes**

**Alan Kadish, M.D., President and Chief Executive Officer.** Prior to joining Touro in September 2009 as senior provost and chief operating officer, Dr. Kadish taught at the University of Michigan and enjoyed a 19-year tenure at Northwestern University, where he served as the Chester and Deborah Cooley Professor of Medicine, senior associate chief of the cardiology division, director of the cardiovascular clinical trials unit, and served on the finance and investment committees of the Northwestern clinical practice plan. Dr. Kadish has published over 250 peer-reviewed papers, contributed to several textbooks, and received numerous grants, including from the National Institutes of Health and the National Science Foundation. A graduate of the Albert Einstein College of Medicine at Yeshiva University, he received his postdoctoral training at the Brigham and Women's Hospital, an affiliate of Harvard Medical School, and at the Hospital of the University of Pennsylvania, where he was a fellow in cardiology. He is board certified in internal medicine, cardiovascular disease, and cardiac electrophysiology.

**David Raab, Executive Vice President.** Mr. Raab joined Touro in 2010 with over 25 years of experience in management consulting for executives and senior managers at large enterprises in both the for-profit and not-for-profit sectors. Mr. Raab has taught at the University of Pennsylvania, the Philadelphia College of Textiles and Science, and the Sy Syms School of Yeshiva University. He received an M.S. from the University of Pennsylvania in computer and information science, an M.S. from the Weizmann Institute in applied mathematics, and a B.A. from Bar Ilan University in economics.

**Rabbi Moshe D. Krupka, Executive Vice President.** Rabbi Krupka joined Touro in July 2006 as senior vice president for college affairs. Prior to joining Touro, Rabbi Krupka enjoyed a lengthy tenure at the Orthodox Union (OU), including as national executive director. Rabbi Krupka received his *Semicha* (rabbinical ordination) from Yeshiva University's Rabbi Isaac Elchanan Theological Seminary, and earned an M.S. in secondary education from Yeshiva University's David J. Azrieli School of Jewish Education.

**Melvin M. Ness, CPA, Senior Vice President and Chief Financial Officer.** Mr. Ness joined Touro in 1996. Prior to joining Touro, he served as controller of TPI Enterprises, a pioneer in private telephone systems and the cellular telephone industry, and vice president for finance for Tel Plus Communications, TPI's main subsidiary, with operations across the U.S. A certified public accountant, Mr. Ness began his career at Charles S. Krantz & Company, a New York area CPA firm, where he rose to managing partner. As a lay leader, he has held many offices, including president, of one of the largest synagogue-Jewish centers in New York City and also served as

president of Torah Academy of Bergen County, the local boys' yeshiva high school. Mr. Ness received a B.S. in accounting from Brooklyn College and received a National Defense Fellowship for Graduate Study at the New York University Graduate School of Business.

**Jeffrey M. Rosengarten, Senior Vice President of Operations**, joined Touro in 2015. As Touro's chief operations and administrative services officer, he is responsible for providing leadership and oversight for real estate, construction and facilities planning as well as human resources, campus security and other auxiliary services. Mr. Rosengarten has had a distinguished career spanning four decades managing facilities and infrastructure as well as directing campus planning, real estate acquisitions and capital improvements. He began his professional career at the Albert Einstein College of Medicine where he directed the outpatient primary care clinics of the affiliated Jacobi Hospital Center. In 1982, Rosengarten arrived at Yeshiva University's main campus as Director of Personnel before later assuming his responsibilities as Vice President for the various administrative supporting services departments across YU's three Manhattan campuses. He earned a BA from Queens College and pursued graduate studies in management and administration at the New School and Baruch College.

**Michael Newman, Senior Vice President and General Counsel**. Mr. Newman joined Touro in 2009. Prior to joining Touro, Mr. Newman was general counsel to RGC Global, a large multi-national consultancy, where he served for more than ten years. Previously, Mr. Newman was general counsel to Wheeler Financial Services, Inc., a consulting and advisory firm; an assistant district attorney for Bronx County in its appeals bureau, and a law clerk to the Honorable Melinda Harmon of the U.S. District Court for the Southern District of New York. He graduated from Yeshiva College and received his legal training at New York Law School where he was a member of its Journal of International and Comparative Law.

**Franklin Steen, Ph.D., Vice President for Technology**. Dr. Steen joined Touro in September 2012. Prior to coming to Touro, Dr. Steen served as chief information officer at Hunter College (CUNY); director of computer services at Harvard University's Faculty of Arts and Sciences; director of instructional computing at Yale University; and director of computer education and technology at Choate Rosemary Hall, a private co-educational boarding school in Wallingford, Connecticut. Dr. Steen's background also includes 15 years as an instructor in Europe and the U.S. He was a Klingenstein Fellow at Columbia University, where he earned a Ph.D. in mathematics education. Dr. Steen was raised in Los Angeles, California and attended the University of California, Los Angeles, where he earned bachelor's and master's degrees in mathematics.

**Matthew Bonilla, Vice President for Student Administrative Services**. Mr. Bonilla joined Touro in 2013 from Pace University, where most recently he served as the Assistant Vice President for the Office of Student Assistance. In 2009, he won the Rising Stars Award: Westchester County's Under Forty Award given to forty outstanding individuals under the age of forty who exemplify leadership, foresight and a vision for the future of Westchester County. He was selected in 2011 to The Center for Digital Education's Converge Yearbook: Technology Innovation in Education as one of fifty national education innovators who have led the way and provided best-practice models to imitate. Mr. Bonilla holds a Bachelor's degree in Business Administration in Management Information Systems and a Master of Science degree in Educational Technology, both from Pace University.

**Edward C. Halperin, M.D., Chancellor and Chief Executive Officer of New York Medical College, Provost for Biomedical Affairs of Touro College, and Professor of Radiation Oncology, Pediatrics, and History.** Dr. Halperin joined the Touro system in 2012 from the School of Medicine at the University of Louisville, where he served as dean, vice provost, and Ford Foundation Professor of Medical Education, Radiation Oncology, Pediatrics, and History. Previously, he served on the faculty at Duke University Medical Center for twenty-three years, where he was the L.R. Prosnitz Professor and Chairman of the Department of Radiation Oncology and, subsequently, R.J. Reynolds Professor of Medical Education and vice dean of the Duke School of Medicine. He is the principal editor of five editions of the textbook *Pediatric Radiation Oncology* and the fourth through sixth editions of the textbook *Principles and Practice of Radiation Oncology*. He has published more than 205 articles in peer-reviewed medical and historical journals. Dr. Halperin received a B.S. in economics from The Wharton School of the University of Pennsylvania, a M.D. from the Yale University School of Medicine, and a M.A. from The Graduate School of Duke University.

**Honorable Shelley Berkley, Senior Provost and CEO, Touro Western Division.** Congresswoman Berkley joined Touro in 2014 and serves as administrative head of TU and TUN. She was elected to the United States House of Representatives in 1998 and represented Nevada's first Congressional District from 1999 to 2013. She was the first woman to serve the District and held the position for seven terms. During her 14 years in Congress, she served on the Transportation Committee, Small Business Committee, Veterans Affairs Committee, Foreign Affairs Committee, and the Ways and Means Committee. Prior to her election to Congress she served as a member of the Nevada State System of Higher Education's Board of Regents for eight years and previously served in the Nevada State Legislature. Prior to her political career, she served as an attorney for the Nevada State Commerce Department, in-house counsel for Southwest Gas Corporation, and Vice President for Government and Legal Affairs for the Sands Hotel in Las Vegas. Congresswoman Berkley graduated from the University of Nevada, Las Vegas with a degree in political science and received her juris doctorate from the University of San Diego, School of Law.

**Marilyn Hopkins, Ph.D., Provost and Chief Operating Officer, Touro University California.** Dr. Hopkins joined Touro in 2009 and serves as the accreditation liaison officer for both the TUC and TUN campuses. Dr. Hopkins has more than 35 years of administrative and teaching experience in higher education, and is a licensed registered nurse. Prior to joining Touro, she was dean of the College of Health and Human Services at California State University, Sacramento. Dr. Hopkins is actively engaged in local and regional community initiatives. She was elected to the board of the Vallejo Chamber of Commerce, serves on the board for the Vallejo Education Business Alliance (VEBA), and participated in a community strategic planning group convened by the Mayor of the City of Vallejo. Dr. Hopkins earned her doctoral and master's degrees in nursing at the University of California, San Francisco and a B.S. in nursing from California State University Sacramento.

**Raymond W. Alden III Ph.D., Provost and Chief Academic Officer, Touro University Nevada.** Dr. Alden joined TUN in 2015. Prior to coming to TUN, he served in administrative leadership roles at several large doctoral research universities: serving multiple terms as Executive Vice President and Provost at both Northern Illinois University and University of Nevada, Las Vegas; serving as Dean of Sciences at UNLV; and serving as Director of a multidisciplinary research, education, and professional service program at Old Dominion University. Dr. Alden has served in leadership roles in a number of national higher education organizations, as editor of three

professional journals, and as scientific advisor to numerous state and Federal agencies, including service as an expert witness for a U.S. Congressional Subcommittee. He has served as principal investigator for over \$30 million of research grants/contracts, has authored more than 300 professional publications and technical reports, and has made over 200 presentations at national and international professional meetings. Dr. Alden received his undergraduate degree from Stetson University. He received his doctorate from University of Florida and served in a post-doctoral fellowship at University of North Carolina Chapel Hill.

**Craig M. Seiden, CPA, CGMA Vice President for Administration and Finance, Touro University Western Division.** Mr. Seiden joined TUN in 2007 as the Associate Vice President for Administration and in 2014 assumed his current role with responsibilities for both the TUN and TUC campuses. Prior to coming to TUN, he served as the Chief Business Officer for the University of Nevada School of Medicine clinical practice plans serving both Northern and Southern Nevada locations. Mr. Seiden began his career with the Hilton Hotel Corporation where he held the position of Assistant Hotel Manager at the Flamingo Hilton Hotel & Casino in Las Vegas, Nevada and also held management positions with Mirage Resorts at the Golden Nugget Hotel & Casino in Las Vegas, Nevada. As a certified public accountant, he worked for Conway, Stuart, and Woodbury a Las Vegas, Nevada CPA firm in the capacity of external auditor for gaming clients in Nevada, Oregon, New Mexico, and California. Mr. Seiden currently serves on the Board of Directors for Pinecrest Academy Nevada, a K-12 charter school system in Henderson, Nevada consisting of nearly 5,000 students. He also serves on the Board of Directors for the Pinecrest Academy Foundation. Mr. Seiden is a graduate of the University of Nevada, Las Vegas and Johnson & Wales University in Providence, Rhode Island.

**Yoram Neumann, Ph.D, Chancellor and Chief Executive Officer, Touro University Worldwide.** Dr. Neumann joined Touro in 1998 and led TUI for nine years until its sale in 2007 to a private equity group. He rejoined TUW in 2012. In addition to his career with Touro, Dr. Neumann formerly served as President and CEO of United States University; executive vice president and CFO for California State University, Dominguez Hills; director, Graduate Program in Technology Strategy and Policy at Boston University; and dean, College of Humanities and Social Sciences at Ben-Gurion University in Israel. An accomplished scholar and researcher, Dr. Neumann has authored and co-authored four books and over 92 peer-reviewed articles. He earned a Ph.D. in organizational behavior and management from Cornell University, and a B.S. and M.B.A. from Tel-Aviv University in Israel.

**Patricia Salkin, Provost, Graduate and Professional Divisions.** Patricia Salkin was appointed Provost of the Graduate and Professional Divisions in 2016 after serving as Interim Provost since 2015. Previously she served as Dean of the Touro College Jacob D. Fuchsberg Law Center. Prior to joining Touro in July 2012, Salkin was the Raymond & Ella Smith Distinguished Professor of Law and associate dean and director of the Government Law Center of Albany Law School. Currently she is the co-chair of the New York State Bar Association's Standing Committee on Legal Education and Admission to the Bar, and she is a member of the House of Delegates of the American Bar Association where she also sits on the Association's Nominating Committee. She is a past chair of the American Association of Law School's State & Local Government Law Section and she served on the Deans' Forum Steering Committee. She has served on the board of directors of the New York Planning Federation and served as the long-term chair of the American Planning Association's Amicus Curiae Committee. She is the author of numerous casebooks, treatises, books

and more than 100 articles, columns, studies and reports. Patricia Salkin received her B.A. from University at Albany – SUNY, and her J.D. from Albany Law School.

**Harry Ballan Ph.D., Dean, Jacob D. Fuchsberg Law Center.** Harry Ballan was appointed Dean of the Law School in August 2016. Previously he served for more than two decades as a partner and senior counsel in the New York office of the international law firm Davis Polk & Wardwell LLP, where he worked on domestic and cross-border mergers, acquisitions, spinoffs, security offerings, cross-border tax planning, private equity, hedge funds and on tax litigation, in particular in resolving controversies for multinational firms in technology, pharmaceutical, health care and other industries. In addition to his responsibilities as dean and professor of law at Touro, he directs the PTSD and Traumatic Brain Injury in War Veterans Program at the Institute for Music and Neurologic Function, a position that includes working with the U.S. Veterans Administration and Congress. He is engaged in numerous research projects on music and the brain and has used therapeutic music to treat hundreds of patients with psychiatric and neurological disorders. He holds a B.A., M.A., M.Phil. and Ph.D. from Yale University, and a J.D. from Columbia University. He has taught at Yale, Columbia, NYU and Yeshiva University, was a student at the Conservatoire Américain, and is a Fellow in Neuroscience and the Arts at the Salzburg Global Seminar.

**Henry Cohen, B.S., M.S., Pharm.D., FCCM, BCPP, BCGP, Dean and Professor of the Touro College of Pharmacy.** Dr. Cohen joined the Touro College of Pharmacy in 2016 and has over 27 years of experience in academia, clinical practice, and leadership. Prior to his tenure at TouroRx, Dr. Cohen was a Professor of Pharmacy Practice at the Arnold & Marie Schwartz College of Pharmacy and Health Sciences of Long Island University in Brooklyn. Dr. Cohen is the editor-in-chief of *The Journal of Pharmacy Practice*. Dr. Cohen established a comprehensive clinical pharmacy program at Kingsbrook Jewish Medical and served as the Residency Program Director training over 120 pharmacy residents. He is the Past-President of the NY State Council of Health-System Pharmacists and a P&T member for PharMerica. Dr. Cohen is the textbook editor and author of the first edition (2015) *Casebook in Clinical Pharmacokinetics and Drug Dosing*, published by McGraw-Hill Education, has published over 200 book chapters, manuscripts, and abstracts and has presented over 500 invited lectures throughout the United States. He has received over \$400,000 in research grant awards and was the pharmacist member of the ACCM's Post-Intensive Care Syndrome Task Force. Dr. Cohen has received six Society of Critical Care Medicine Presidential Citations for outstanding contributions to the society. Dr. Cohen earned a B.S. in Pharmacy and a M.S. with a Specialty in Pharmacotherapeutics from the Arnold & Marie Schwartz College of Pharmacy and Health Sciences and a post-graduate traditional Doctor of Pharmacy Degree from St. John's University College of Pharmacy. Dr. Cohen is a Fellow of The American College of Critical Care Medicine and is double board certified in neuropsychiatry and geriatrics.

**Louis H. Primavera, Ph.D., Dean, School of Health Sciences.** Dr. Primavera joined Touro in 2007. Prior to joining Touro, he was dean of the Derner Institute of Advanced Psychological Studies at Adelphi University, and is professor emeritus at Adelphi. Prior to Adelphi, Dr. Primavera was at St. John's University for nineteen years, where he was chair and associate dean of the Graduate School of Arts and Sciences. Before going to St. John's, Dr. Primavera held full time faculty positions at Hofstra University, St. Francis College, and Molloy College. He held a staff position as a consultant to the Department of Psychiatry and Behavioral at Memorial Sloan Kettering Cancer Center for ten years, as well as number of other consulting positions in medicine, business, and education. He served as president of the Academic Division of the New York State Psychological Association, the New York City Metro Chapter of the American Statistical

Association (ASA), and was a board member of the New York State Metro Chapter of ASA, where he currently serves as vice president of the chapter. Dr. Primavera received a B.A. in psychology from St. John's University and a M.A. and Ph.D. in neuropsychology from the City University of New York.

**Nadja Graff, Ph.D., Vice President of the Division of Graduate Studies.** As Vice President since 2014, Dr. Graff serves as the chief academic officer for Touro's six graduate schools in the Division of Graduate Studies. She is responsible for overseeing and guiding the schools to enhance the quality and reputation of all their programs, to enrich the student experience, support faculty, and to facilitate increased collaboration and operational synergy between the graduate programs. Dr. Graff joined Touro College in 1980 as a professor of clinical biochemistry, and taught health sciences students for more than 30 years. She served as academic coordinator in the School of Health Sciences' Physician Assistant program, and in 1999 was appointed the founding director of the Manhattan Campus Physician Assistant program, a unique, non-traditional program. In 2010, she was appointed associate dean of the School of Health Sciences, and has served as the chairperson of the Touro College and University System Academic Integrity Council since 2012. Dr. Graff received her undergraduate degree in biology from the City College of New York, where she was a member of Phi Beta Kappa, and her Ph.D. in Biological Sciences from Columbia University, where she was a member of the Sigma Xi Honor Society.

**Robert Goldschmidt, Vice President of Planning and Assessment and Dean of Students.** Dean Goldschmidt joined Touro in 1974 as an instructor in the political science department. Dean Goldschmidt has served on institutional accreditation teams for the Middle States Commission, and in 2012 was instrumental in securing Middle States Commission approval for Touro's proposed osteopathic school branch in Middletown, N.Y. He earned a bachelor's degree in political science, summa cum laude, at Brooklyn College (CUNY), and a M.A. in political science at New York University, where he completed all coursework for a doctorate. He is a member of Phi Beta Kappa. He was the recipient of a National Defense Education Act Fellowship and served as a research fellow at the NYU Center for International Studies. Concurrent with his graduate studies, Dean Goldschmidt continued advanced Talmudic studies at Yeshiva Torah Vodaath, where he received Smicha (ordination) from Harav HaGaon Rabbi Gedaliah Schorr zt'l.

**Stanley Boylan, Ph.D., Vice President of Undergraduate Education and Dean of Faculties.** Dean Boylan joined Touro College 1976, serving initially as chair of the Department of Mathematics and as chairman of the college curriculum committee. He joined the administration a year later serving in various administrative capacities and as a professor of mathematics. He has authored scholarly articles in mathematics and Jewish studies, and received Rabbinic ordination from Rabbi Joseph B. Soloveichik at Yeshiva University. Prior to joining Touro, he taught at Rutgers University and at Bloomfield College in New Jersey. Dean Boylan earned a B.A. in mathematics with honors from Yeshiva College and a M.S. and Ph.D. from the Courant Institute of Mathematical Sciences at New York University, where he was a Woodrow Wilson Scholar, a National Science Foundation Fellow, and a Sloan Foundation Fellow.

**Marian Stoltz-Loike, Ph.D., Vice President, Online Education and Dean, Lander College for Women-The Anna Ruth and Mark Hasten School.** Dr. Stoltz-Loike joined Touro in 2005. A professor of psychology and human resources management, Dr. Stoltz-Loike has served as a global corporate consultant with Fortune 100 companies and is the author of two books and over fifty articles relating to the maturing workforce, cross-cultural management, and work/life issues, and is

a frequent presenter at domestic and international conferences on related topics. Dr. Stoltz-Loike received a bachelor's degree with honors in psychology and social relations from Harvard University, and a Ph.D. in experimental psychology from New York University.

**Judah Weinberger, M.D., Ph.D. Vice President for Collaborative Medical Education, Associate Vice President of Undergraduate Education, and Interim Dean, New York School of Career and Applied Studies (NYSCAS).** Prior to joining Touro, Dr. Weinberger was an academic clinical cardiologist, and was Director of Interventional Cardiology at Columbia University. He is widely published with numerous peer-reviewed original journal articles and book chapters, an inventor with 12 U.S. patents, a NIH funded researcher, and an award-winning medical educator with 30 years of experience at Columbia. He served the US Food and Drug Administration as an external reviewer and panelist on Cardiovascular Devices and Radiological Health Panel for 13 years. Dr. Weinberger, earned a Ph.D. in immunology and M.D. with distinction from the Harvard Medical School, the M.A. in physics, and B.A. with highest honors in mathematics from Columbia University, brings extensive and wide-ranging talent to this position.

**Eric Levine, DSW, Director of Social Work Alumni Engagement and Financial Resource Development.** Dr. Levine joined Touro in 2010. Prior to joining Touro, Dr. Levine played leadership roles at the Jewish Federations of North America (JFNA), serving as senior vice president for development at the Center for Jewish Philanthropy and senior vice president for Jewish Peoplehood and Identity, and at UJA-Federation of New York, where he was the executive director of the annual campaign, managing director of the Commission on Jewish Identity and Renewal, and executive director of the Long Island region. Dr. Levine is an assistant professor at Wurzweiler School of Social Work of Yeshiva University, and has also taught at its Azrieli Graduate School of Jewish Education. Dr. Levine holds a Doctor of Social Welfare and Master of Social Work from Wurzweiler. He earned a B.A. in Jewish studies with honors from CUNY and engaged in religious and Talmudic studies at Yeshiva University.

**Amy S. Kahn, Vice President for Development and Alumni Affairs, New York Medical College.** Ms. Kahn joined NYMC in 2015 as the vice president for development and alumni affairs, leading the College's comprehensive advancement program, including philanthropic development, major gifts, annual fund and alumni relations as well as special campaigns. In this role, Ms. Kahn is responsible for creating and implementing the strategic plan to meet the College's advancement goals and will oversee the development and alumni relations teams. Ms. Kahn's experience includes more than a decade of development work at Northwestern University, starting at the Weinberg College of Arts and Sciences in 1999 and ultimately directing development for student life and scholarships and focusing on university-wide priorities. Ms. Kahn also served as vice president of development at the Milwaukee Jewish Federation. Ms. Kahn earned her B.S. in business administration at the Olin School of Business at Washington University in St. Louis, MO.

**Adam D. Hammerman, M.B.A., Vice President for Financial Operations, New York Medical College.** Mr. Hammerman joined NYMC in 2015 as the vice president for financial operations, overseeing all aspects of NYMC's finance, accounting, financial reporting and taxes. In this role, Mr. Hammerman is responsible for the fiscal performance of NYMC and supervises the Controller's and Budget Offices. He joined NYMC from the Touro College and University System where he was director of budget, planning and analysis. Prior to Touro, Mr. Hammerman held finance and operations positions at the 92nd Street Y, Museum of the City of New York and The Town School.

He earned his B.A. in accounting and information systems from Queens College and his M.B.A. in non-profit management from Touro University Worldwide.

## **FINANCIAL INFORMATION**

### **Intercompany Flow of Funds**

Touro College, as the “parent” entity of the group of affiliated operating entities, manages revenues received by its subsidiaries and affiliates. Historically, net revenues of each subsidiary or affiliate (net of subsidiary-associated debt service), other than NYMC, were disbursed for the benefit of any affiliate or subsidiary at the discretion of Touro College. Revenues from the Touro College Health Care and Other Designated Enterprises are generally deposited in Touro College bank accounts before being disbursed on behalf of the Health Care and Other Designated Enterprises or other affiliated entities. Receipts or disbursements on behalf of or between affiliates (including Health Care and Other Designated Enterprises) are recorded as inter-company receivables or payables (with such receivables or payables eliminated in the consolidated financial statements).

Touro management allocates central administrative expenses among Obligated Group Members, Health Care and Other Designated Enterprises and other affiliates who are required to reimburse Touro College for their respective shares of central administrative expenses based on the percentage of System revenues generated by such Obligated Group Member, Health Care and Other Designated Enterprises or affiliates. NYMC has generally incurred and been responsible for the costs of its own administrative systems, except for specific costs apportioned between NYMC and Touro, and therefore has not been allocated a full proportionate share of central administrative expenses. NYMC’s share will increase as additional services are centralized, but NYMC may never be allocated a full share since it is likely that some central functions will be provided from the NYMC campus. In the interim, however, the amount of specific allocations is continuing to increase as more functions or services are combined and the percentage of revenue generated by the Obligated Group Members and Healthcare and other Designated Enterprises continues to increase. In addition, as the Obligated Group Representative, Touro will continue to allocate resources among the members and Health Care and Other Designated Enterprises of the Obligated Group and other affiliates as it deems necessary.

### **Budgeting and Financial Controls**

The development of the annual operating and capital budgets for the System (excluding New York Medical College) is controlled by an 11-member Budget Committee which includes the Chancellor, the President, Executive and Senior Vice-Presidents, the Provost, program deans, faculty representatives and Western Division representatives. The budget process is geared to the Touro fiscal year, which begins on July 1, with a target of having a completed budget approved by the Touro College Board of Trustees at its May meeting. NYMC follows a parallel process to the rest of the System in order to present a completed budget to the NYMC Board of Trustees for approval. While the Touro Board is advised of the final NYMC budget to evaluate its effect on consolidated covenants, the NYMC budget is not separately approved by the Touro Board.

## *Touro College*

The budget process for Touro College begins in October, when the program deans and directors submit their enrollment projections and requested tuition rates for the ensuing year. These are first reviewed by a six-member Task Force Subcommittee of the Budget Committee, which performs most of the detailed reviews of the programs and administrative departments. Based on parameters established by the Task Force Subcommittee, applied to the current year's budget, the revised enrollments and tuitions, and adjusted for any known major program changes, the Budget Department calculates a desired operating margin target (the "Margin Targets") for each school. The Margin Targets are compiled and revised as needed to arrive at the desired Touro College net surplus for the ensuing year. The individual Margin Targets and prior years' performance become the benchmarks against which the proposed budgets will be measured. The projected enrollments, proposed tuitions and calculated Margin Targets are reviewed by the full Budget Committee in late December or January.

From February through early April, the Task Force Subcommittee meets with each department and program to review its proposed operating plans and resulting budget. During April, the budgets are reviewed and revised by the Task Force Subcommittee to arrive at an acceptable net surplus. At the end of April, the full Budget Committee meets for a final program by program review and final budget reconciliation. The final budget approved at that meeting is presented by the President for Board approval at its May meeting.

The approved budget is used by the Purchasing Department to monitor all non-personnel (OTPS) expenses and by the Budget Department to control all hiring. The new Enterprise Resource Planning ("ERP") system has provided for electronic approvals for OTPS expenditures and personnel appointment forms and Deans and directors now have real-time access to budget vs. actual performance and remaining budget available to them. Deans and directors requesting modifications to their budgets are first asked to find the necessary budget in other unused budget lines, but occasionally waivers are granted to exceed the approved budgets. Historically, the System generally operates within the approved total expense budget.

## *NYMC*

New York Medical College's annual operating and capital budget is presided over by NYMC's President and its Chancellor/Chief Executive Officer in conjunction with the Budget Task Force composed of NYMC's Vice President for Financial Operations, the Vice President for Strategic Planning and NYMC's Chief Budget Officer. The Finance/Investment Committee and the Facilities/Real Estate Committee of the NYMC Board of Trustees also play a significant role in the annual budget process.

Each year a budget timetable is prepared in January for the upcoming fiscal year beginning on July 1st. The process commences when the Chief Budget Officer sends requests for projections and assumptions (i.e. enrollment projections, tuition rate recommendations, new spending needs, capital projects and equipment, research overhead, charitable contributions) for the upcoming year to the NYMC Deans and Vice Presidents. Once received, these projections and assumptions are reviewed by the NYMC Budget Office and the Budget Task Force.

The Deans and Vice Presidents make a formal presentation to the Budget Task Force and Chancellor during the early planning stage. Based upon all the information that has been gathered and the presentations of the Deans and Vice Presidents, a draft budget is prepared. The draft budget is subsequently reviewed in detail with the Chancellor and the President. Adjustments are made at this time to reflect institutional priorities.

The draft budget is presented to the Finance/Investment Committee of the Board of Trustees during an extensive budget work session in early April. The budget work session focuses specifically on proposed tuition increases, other operating revenue assumptions, funding of scholarships, salaries and other operating expenses. Based on the Finance/Investment Committee's input, adjustments are made to the draft budget and a second presentation to the Committee is made in early May. With the Finance/Investment Committee's approval, the budget is presented for final ratification by the full Board of Trustees in mid-May.

The process for the capital budget is similar to the operating budget process. The NYMC Vice President of Operations proposes capital projects for major repairs, renovations and initiatives based on input received from the NYMC Deans and Vice Presidents. The Deans and Vice Presidents also identify any capital equipment needs for the coming fiscal year. After reviews with the Chancellor/Chief Executive Officer and with the President, a draft capital budget is prepared and submitted (typically in March) to the Facilities and Real Estate Committee of the Board of Trustees for their review and approval. The capital budget then joins the operating budget for review by the Finance/Investment Committee and the full Board of Trustees.

Once the budget is approved, the Budget Office, in conjunction with the Deans and Vice Presidents, prepares individual departmental budgets based upon the budget that has been approved by the Board of Trustees. Official departmental budgets are distributed to department heads throughout NYMC.

To ensure that NYMC remains within the budget approved by the Board of Trustees, the Budget Office is responsible for monitoring budgets and approving requests related to personnel, non-personnel and capital spending. Authorization of the appropriate Dean, Vice President or their designees is required for all spending, as is compliance with NYMC purchasing and contracting policies. In prior years, each department received a monthly budget statement of expenses and remaining balances in each departmental account, however, just like the other Touro units, the new ERP system provides real-time reporting of budget vs. actual expenses and the amount of budget remaining for each department. Similar spending controls are employed for grants and other restricted-purpose accounts of NYMC.

## **Financial Statements and Accounting Matters**

### *General*

The consolidated financial statements of Touro College and its related entities as of and for the fiscal years ended June 30, 2017 and 2016, included herein as Appendix B, were audited by KMPG LLP, independent auditors, as indicated in its report thereon. KPMG LLP has not been asked to consent to the inclusion of its report in this Official Statement. KPMG LLP has not been engaged to perform and has not performed, since the date of its report included herein, any

procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

*Acquisition of Hebrew Theological College*

HTC became a member of the Touro College and University System on June 30, 2015. In accordance with acquisition accounting guidance, the HTC net assets acquired, and specifically recognized intangible assets were recorded at their then fair value of approximately \$11.8 million; and since no consideration was paid by the College the full value of the net assets was recognized as an inherent contribution on the consolidated Statement of Activities for the year ended June 30, 2015.

*Summary Financial Statements*

The following is a summary of the statements of activities and statements of financial position for the fiscal years ended June 30, 2013 through 2017, which was derived from the audited consolidated financial statements of Touro College and its related entities. Financial information related to HTC during the period prior to its acquisition by Touro in June 2015 is not reflected in the summary below. KPMG LLP has not reviewed, commented on or approved, or is associated with, this Official Statement. KPMG has not performed any procedures on any financial statements or other financial information of the System or any Member of the Obligated Group, including without limitation any of the information contained in this Official Statement, since the date of its audit report.

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**Statements of Activities**  
**(Dollars in Thousands)**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Operating Revenue:					
Tuition and fees, net of allowance	\$434,748	\$414,217	\$382,206	\$371,702	\$359,059
Less scholarships and grants	(42,656)	(39,213)	(33,603)	(31,735)	(32,704)
Net tuition and fees	392,092	375,004	348,603	339,967	326,355
Affiliation contracts and faculty practice	27,200	31,142	37,247	49,111	53,914
Government grants for research and sponsored projects	29,498	25,143	28,055	33,366	33,249
Contributions and private grants	12,956	10,999	19,267	7,515	8,910
Investment return	5,530	4,690	4,607	6,161	5,388
Auxiliary enterprises	14,241	13,220	11,117	10,441	11,529
Other	7,151	6,872	6,127	5,122	6,192
Total operating revenue	488,668	467,070	455,023	451,683	445,537
Operating expenses:					
Instruction and research	229,470	225,175	206,212	199,025	197,381
Academic support	77,826	79,044	68,069	63,379	59,986
Affiliation contracts and faculty practice	25,435	29,192	35,778	47,448	52,029
Student services	50,042	49,035	41,533	42,293	42,637
Institutional support	85,056	86,932	98,283	89,320	80,742
Auxiliary enterprises	15,492	15,165	13,100	10,561	8,914
Total Operating Expenses	483,321	484,543	462,975	452,026	441,689
Change in net assets from operating activities before gain on sale	5,347	(17,473)	(7,952)	(343)	3,848
Gain on sale	--	10,591	--	--	--
Change in net assets from operating activities after gain on sale	5,347	(6,882)	(7,952)	(343)	(3,848)
Nonoperating activities:					
Loss on refunding of debt	-	-	(851)	(2,234)	-
Change in fair value of interest rate swaps	1,002	(864)	(195)	(671)	-
Postretirement-related changes other than net periodic benefit cost	(457)	(1,521)	(915)	(739)	(602)
Investment return in excess of (less than) amounts appropriated for operations	4,389	(6,729)	(2,031)	7,593	2,355
Fair Value of net assets acquired	-	-	11,799	-	-
Change in fair value beneficial interest in perpetual trusts	1,074	(1,115)	(462)	1,230	1,338
Other	(200)	(500)	(145)	(985)	-
Change net assets	11,155	(17,611)	(752)	3,851	6,939
Net assets at beginning of period	352,872	370,483	371,235	367,384	360,445
Net assets at end of period	\$364,027	\$352,872	\$370,483	\$371,235	\$367,384

**Statements of Financial Position**  
**(Dollars in Thousands)**

<b>Assets</b>	<b>As of June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$24,502	\$23,375	\$10,956	\$39,324	\$41,552
Receivables:					
Students tuition and fees, net	9,100	8,968	4,828	3,931	2,869
Student loans, net	13,341	14,610	14,232	14,343	15,040
Other	42,129	35,719	34,099	21,694	21,981
Investments	106,299	100,476	112,508	107,866	108,471
Property and equipment, net	531,455	529,896	538,011	524,344	493,893
Deposits with Bond Trustee	26,852	32,328	39,736	37,417	0
Other assets	25,120	23,991	30,379	35,185	34,511
Beneficial interest in perpetual trusts	12,081	11,007	12,122	12,584	11,354
<b>Total assets</b>	<b>\$790,879</b>	<b>\$780,370</b>	<b>\$796,871</b>	<b>\$796,688</b>	<b>\$729,671</b>
<b>Liabilities and Net Assets</b>					
Accounts and accrued expenses payable	34,920	35,837	31,391	30,032	30,977
Accrued payroll and related benefits payable	38,427	35,792	29,453	32,605	31,343
Deferred revenue	58,083	51,168	35,838	31,684	34,624
Lines of credit and short-term debt	30,500	34,750	34,200	35,700	20,500
Long-term debt, net	249,961	255,130	264,820	265,659	213,520
Refundable federal student loans	9,278	10,834	10,747	10,629	10,525
Other liabilities	5,683	3,987	19,939	19,144	20,798
<b>Total liabilities</b>	<b>426,852</b>	<b>427,498</b>	<b>426,388</b>	<b>425,453</b>	<b>362,287</b>
Net Assets					
Unrestricted	286,662	280,620	296,396	303,952	308,109
Temporarily restricted	33,388	30,529	32,583	29,234	23,816
Permanently restricted	43,977	41,723	41,504	38,049	35,459
<b>Total net assets</b>	<b>364,027</b>	<b>352,872</b>	<b>370,483</b>	<b>371,235</b>	<b>367,384</b>
<b>Total liabilities and net assets</b>	<b>\$790,879</b>	<b>\$780,370</b>	<b>\$796,871</b>	<b>\$796,688</b>	<b>\$729,671</b>

**Budget**  
**(Dollars in Thousands)**

The following Touro College and University System Consolidated Budget for fiscal year ended June 30, 2018 is a projection of the future financial performance of the System based upon certain assumptions made by the System contained therein. *No guaranty can be made that such budget will correspond with the results actually achieved in the future by the System because there is no assurance that actual events will correspond with the assumptions made by the System. For example, the budget projection makes certain assumptions as to continued demand for educational facilities and future enrollment at the schools of the System. Actual operating results of the System may be affected by many factors, including, but not limited to, increased costs, lower than anticipated enrollment, reduced funding, changes in demographic trends, and local and general economic conditions.*

**Touro College and University System**  
**Consolidated Budget**  
**Year Ended June 30, 2018**

Tuition & Fees	\$476,303
Scholarships	(47,715)
<b>Net Tuition &amp; Fees</b>	<u>428,588</u>
Contributions	20,048
Grants	35,524
Auxiliary	19,068
Affiliations & Faculty Practice	27,896
<b>Operating Revenue</b>	<u>102,536</u>
 <b>Total Revenue</b>	 531,124
Instruction	184,251
Academic Support	70,915
Student Services	46,073
Institutional Support	78,197
Plant	56,876
Auxiliary	12,991
Research	22,805
Affiliations	24,100
<b>Operating Expense</b>	<u>496,208</u>
Investment	7,376
Other	8,552
<b>Other Income</b>	<u>15,928</u>
 <b>EBITDA</b>	 50,844
Interest	12,425
Depreciation	26,696
<b>Other Expense</b>	<u>39,120</u>
 <b>Change in net assets</b>	 <u><u>\$11,723</u></u>

## ***Obligated Group***

The following is a summary of the income statements and the balance sheets for the Members of the Obligated Group (and with respect to Touro only, the Health Care and Other Designated Enterprises) (hereafter, the “Obligated Group Financials”) for the fiscal years ended June 30, 2014 through 2017 which were derived from the audited consolidated financial statements and supplementary information of Touro College and its related entities.

### **Obligated Group Historical Financials**

#### **Income Statement (Dollars in thousands)**

	<b>Fiscal Years Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating Revenue:				
Tuition and fees, net of allowance	\$287,297	\$261,713	\$240,740	\$224,852
Less scholarships and grants	(12,574)	(7,985)	(6,559)	(5,652)
Net tuition and fees	274,723	253,728	234,181	219,200
Affiliation contracts and faculty practice	27,200	31,142	37,247	49,111
Government grants for research and sponsored projects	25,074	21,332	23,818	29,480
Contributions and private grants	8,006	6,956	9,381	3,671
Investment return	3,988	4,159	3,470	3,853
Auxiliary enterprises	8,705	8,272	8,302	7,536
Other	7,705	6,896	4,641	3,063
Total operating revenue	355,401	332,485	321,040	315,914
Operating expenses:				
Instruction and research	148,367	136,450	130,700	122,043
Academic support	45,430	46,720	33,845	32,270
Affiliation contracts and faculty practice	25,435	29,192	35,778	47,448
Student services	26,886	25,929	18,304	18,041
Institutional support	42,898	42,273	52,194	45,314
Institutional support - Touro College	33,131	29,057	24,470	7,160
Auxiliary enterprises	9,905	8,577	8,241	6,083
Total Operating Expenses	332,052	318,198	303,532	278,359
Change in net assets from operating activities	23,349	14,287	17,508	37,555
Nonoperating activities:				
Forgiveness of intercompany receivables	(5,480)	(11,475)	(24,500)	0
Loss on refunding of debt	0	0	0	(1,526)
Postretirement-related changes other than net periodic benefit cost	(457)	(1,521)	(915)	(739)
Investment return in excess of (less than) amounts appropriated for operations	3,454	(5,439)	(1,786)	7,177
Change in fair value beneficial interest in perpetual trusts	1,074	(1,115)	(462)	1,230
Other	(200)	(500)	(145)	(985)
Change net assets	21,740	(5,763)	(10,300)	42,712
Net assets at beginning of period	271,354	277,117	287,417	244,705
Net assets at end of period	\$293,094	\$271,354	\$277,117	\$287,417

**Obligated Group Historical Financials**  
**Balance Sheet**  
(Dollars in Thousands)

<b>Assets</b>	<b>As of June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$15,213	\$15,764	\$4,558	\$21,127
Receivables:				
Students tuition and fees, net	5,494	6,651	3,553	3,799
Student loans, net	9,790	10,517	11,156	11,619
Other	27,657	24,405	19,454	12,247
Due (to) from subsidiaries	91,704	66,861	51,413	54,305
Investments	83,212	80,128	90,239	87,039
Property and equipment, net	297,593	292,779	293,441	293,393
Deposits with Bond Trustee	26,585	32,068	39,478	37,417
Other assets	14,046	13,593	17,486	19,088
Beneficial interest in perpetual trusts	12,081	11,007	12,122	12,584
<b>Total assets</b>	<b>\$583,375</b>	<b>\$553,773</b>	<b>\$542,900</b>	<b>\$552,618</b>
<b>Liabilities and Net Assets</b>				
Accounts and accrued expenses payable	25,345	26,762	19,921	19,679
Accrued payroll and related benefits payable	20,934	20,759	16,507	16,656
Deferred revenue	56,965	44,069	29,323	26,454
Lines of credit and short-term debt	19,500	20,750	21,200	21,650
Long-term debt, net	156,114	157,517	165,964	168,539
Refundable federal student loans	8,160	9,716	9,629	9,511
Other liabilities	3,263	2,846	3,296	2,712
<b>Total liabilities</b>	<b>290,281</b>	<b>282,419</b>	<b>265,840</b>	<b>265,201</b>
<b>Net Assets</b>				
Unrestricted	228,943	213,262	217,421	232,162
Temporarily restricted	24,691	20,869	22,586	21,281
Permanently restricted	39,460	37,223	37,053	33,974
<b>Total net assets</b>	<b>293,094</b>	<b>271,354</b>	<b>277,060</b>	<b>287,417</b>
<b>Total liabilities and net assets</b>	<b>\$583,375</b>	<b>\$553,773</b>	<b>\$542,900</b>	<b>\$552,618</b>

## **Management Discussion of Financial Results**

### **Fiscal Year 2017 Compared to 2016:**

The consolidated financial statements for the College and its related entities for fiscal year 2017 reflect annual operating revenues of approximately \$489 million compared to \$467 million in 2016 and annual EBIDA in excess of \$49 million compared to \$22 million in the prior year. Fiscal year 2017 total assets ended at approximately \$791 million, including more than \$143 million of investments and unrestricted cash compared to total assets of approximately \$780 million, including approximately \$135 million of cash and investments at June 30, 2016.

Consolidated operating results for the year ended June 30, 2017 reflected surpluses generated by operations included in the Master Indenture offset by lower income due to slightly reduced enrollment at several graduate and undergraduate programs partially as a result of the discontinuance of certain satellite locations and continued support for the central overhead of the College. In 2017, New York Medical College achieved a \$4 million improvement in its change in net assets from operating activities over 2016 due to increases in tuition, grants and contribution revenue while holding expenses flat. NYMC entered into a new twelve-year affiliation agreement with Westchester Medical Center, its primary training affiliate, with an option to renew for an additional twelve years. The fiscal year ending June 30, 2017 included three annual cohorts on the Middletown campus compared to two cohorts in the prior year and the first year class of students in the new Dental school. In Middletown, revenue generated by the DO program and related master's degree program increased by \$8 million and expenses by only \$1 million while at the Dental school first year tuition and fees of more than \$7 million exceeded the \$5 million increase in expenses. In addition, across the board tuition increases in most continuing programs, a temporary hiring freeze, careful cost controls and positive investment results further contributed to the improved results for the year ended June 30, 2017.

The operations of the Health Care and Other Designated Enterprises of Touro College and of the other Members of the Obligated Group (the "MTI Group") generated operating surpluses of approximately \$23 million in fiscal year 2017 compared to \$14 million in fiscal year 2016, net of \$33 million and \$29 million, respectively, of the MTI Group's share of central overhead. As the portion of consolidated revenue generated within the MTI Group grows faster than the other revenue streams, the portion of central overhead charged to the MTI Group will continue to increase. EBIDA in fiscal year 2017 was approximately \$47 million compared to \$19 million in fiscal year 2016. Improved investment performance in fiscal year 2017 compared to fiscal year 2016 contributed approximately \$14 million and \$11 million to the improved performance on the consolidated and MTI Group levels, respectively. Additionally, supplementary information accompanying the consolidated financial statements shows that intercompany receivables of \$5 million and \$10 million, respectively, among and between certain affiliated entities of the College, were forgiven in 2017 and 2016. These adjustments had no effect on the consolidated financial statements of the College and its related entities.

### **Fiscal Year 2016 Compared to 2015:**

The consolidated financial statements for the College and its related entities for fiscal year 2016 reflect annual revenues of approximately \$467 million compared to \$455 million in

2015. Fiscal year 2016 total assets ended at approximately \$780 million, including approximately \$135 million of investments and unrestricted cash compared to total assets of approximately \$797 million, including approximately \$136 million of cash and investments at June 30, 2015.

Although tuition and fees increased by approximately \$26 million from 2015 to 2016 and operating expenses increased by \$22 million, other operating revenue decreased by approximately \$14 million, including affiliation revenue, where income and expense declined by approximately \$6 million each, contributions and grants, resulting in an approximately \$10 million decrease in the change in net assets from operating activities year over year. Recognition of a deferred gain from the sale of a College student residence in 2011 that was leased back by the College effectively offset the decline in the change in net assets described above.

The operations of the MTI Group generated surpluses of approximately \$14 million in fiscal year 2016 compared to \$18 million in fiscal year 2015, net of \$29 million and \$24 million, respectively, of the Obligated Group's share of central overhead. EBIDA in fiscal year 2016 was approximately \$19 million compared to \$14 million in fiscal year 2015. Poor investment performance in fiscal year 2016 compared to fiscal year 2015 reduced the change in net assets by \$5 million and \$4 million on the consolidated and MTI Group levels, respectively. Additionally, supplementary information accompanying the consolidated financial statements shows that intercompany receivables of \$11 million and \$25 million, respectively, among and between certain affiliated entities of the College, were forgiven in 2016 and 2015. These adjustments had no effect on the consolidated financial statements of the College and its related entities.

#### Fiscal Year 2015 Compared to 2014:

The consolidated financial statements for the College and its related entities for fiscal year 2015 reflect annual revenues of approximately \$455 million compared to \$452 million in 2014. Fiscal year 2015 total assets ended at approximately \$797 million, including approximately \$136 million of investments and unrestricted cash compared to total assets of approximately \$797 million, including approximately \$160 million of cash and investments at June 30, 2014.

Although tuition and fees increased by approximately \$9 million from 2014 to 2015, disregarding a \$12 million decrease in affiliation revenue and expenses, operating expenses increased by \$23 million and other operating revenue, including contributions and grants, increased by approximately \$6 million, resulting in an approximately \$8 million decrease in the change in net assets from operating activities year over year. Recognition of the fair value of the net assets acquired as a result of the June 30, 2015 acquisition of the Hebrew Theological College in the amount of approximately \$12 million helped to substantially offset the nearly \$13 million decline in investment income from 2014 to 2015.

The operations of the MTI Group generated surpluses of approximately \$18 million in fiscal year 2015 compared to \$38 million in fiscal year 2014, net of \$24 million and \$7 million, respectively, of the Obligated Group's share of central overhead. As disclosed in the 2014 Offering Statement, prior to 2015 central overhead was only charged to Touro University pursuant to an agreement with a Touro University lender whose loan was refinanced by the 2014

Obligated Group Bonds, but in 2015 and subsequently central overhead is charged to the operations of the MTI Group in proportion to gross revenue, except for NYMC which is charged for specific services provided by Touro College. EBIDA in fiscal year 2015 was approximately \$14 million compared to \$62 million in fiscal year 2014. Poor investment performance in fiscal year 2015 compared to fiscal year 2014 reduced the change in net assets by approximately \$11 million on the Obligated Group level. Additionally, supplementary information accompanying the consolidated financial statements shows that intercompany receivables of \$25 million among and between certain affiliated entities of the College were forgiven in 2015. These adjustments had no effect on the consolidated financial statements of the College and its related entities.

## **INVESTMENTS/ENDOWMENT**

### **Investments**

Investments, which include the endowment investments, but exclude beneficial interests in perpetual trusts (\$12,081,000 and \$11,007,000 at June 30, 2017 and 2016, respectively) and donor-restricted revolving loan funds (\$7,196,000 and \$6,931,000 at June 30, 2017 and 2016, respectively), at fair value consist of the following as of June 30:

	<b>(Dollars in Thousands)</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Cash and cash equivalents	\$9,550	\$6,330
Fixed income securities	10,397	1,013
Equity securities	17,186	15,405
Mutual funds	61,369	60,437
Alternative investments	7,797	17,291
Total investments	<b><u><u>\$106,299</u></u></b>	<b><u><u>\$100,476</u></u></b>

## Endowment Net Assets

Endowment net assets, which exclude beneficial interests in perpetual trusts and donor-restricted revolving loan funds, consist of the following as of June 30:

2017 (in 000s)				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$ --	\$18,917	\$24,734	\$43,651
Quasi (Board-designated)	35,190	--	--	35,190
Total Funds	\$35,190	\$18,917	\$24,734	\$78,841

2016 (in 000s)				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$ --	\$17,199	\$23,780	\$40,979
Quasi (Board-designated)	33,246	--	--	33,246
Total Funds	\$33,246	\$17,199	\$23,780	\$74,225

The investment committee of the Board of Trustees of Touro College meets at least semiannually and oversees the investment of the endowment funds of all of the related entities except NYMC. The finance and investment committee of the Board of Trustees of NYMC meets at least quarterly and oversees the investment of the endowment funds of NYMC. Both entities engage outside investment managers to manage the funds. NYMC has a spending policy of 4% (5% for 2016) of the moving average of the fair value of endowment investments for the previous 20 quarters. Touro's spending policy provides for a spending rate of 4% of the moving average of the fair value of endowment investments for the previous 12 quarters.

## OUTSTANDING DEBT AND OTHER OBLIGATIONS

### Long-Term Debt

The System has long-term debt of approximately \$250 million as of June 30, 2017. Most of its long-term debt obligations have final maturities of twenty years or more, including approximately \$144 million of the long-term debt secured by the Series 2014 Obligations which have fixed interest rates and approximately \$60 million whose interest rates will adjust in six to seven years. Two mortgage loans, one in the outstanding amount of approximately \$22.5 million and the other in the outstanding amount of \$727,000 at June 30, 2017, have since been repaid when the mortgaged properties were sold and are not included in the table below.

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>As of 06/30/17</u>	<u>Property Collateral and Description</u>
<b>Touro College</b>				
<i>DASNY Law Center Bonds</i>				
2013A (tax exempt)	December 2038	3.68%	\$18,494,060	Mortgage on Law Center in Central Islip, NY
2013B (taxable)	December 2020	3.79%	1,007,440	Mortgage on Law Center in Central Islip, NY
<i>DASNY Revenue Bonds</i>				
<i>First Republic Bank III</i>				
	November 2044	3.06%	39,245,000	Mortgage on Kew Garden Hills (Men's College and housing), West 60th Street (Women's College) and 1602 Ave J (Lander College of Arts and Sciences)
2014 A Middletown (tax exempt)	January 2042	4.70%	10,805,000	Bonds secured by Obligations issued under the Master Trust Indenture (MTI)
Sterling National Bank	May 2018	4.00%	2,820,927	Pledge on certain revenue and investments
Gold Coast Bank	December 2017	4.90%	1,720,276	First Mortgage on 2002 Ave J
Investors Bank	May 2022	4.00%	<u>2,615,860</u>	Mortgage on 153-01 - 153-07 76th Rd, NY
<b>Total</b>			<b><u>\$76,708,563</u></b>	
<b>Touro University California</b>				
<i>California Municipal Finance Authority</i>				
CMFA (tax exempt)	January 2040	4.43%	<u>\$16,315,000</u>	Bonds secured by Obligations issued under the Master Trust Indenture (MTI)
<b>Ohr Hachaim</b>				
<i>New Millennium Bank</i>				
	August 2024	4.50%	<u>\$198,005</u>	Mortgage on 141-24 71st Ave, NY
<b>Touro University Nevada</b>				
<i>Henderson Public Improvement Trust</i>				
2014A (tax exempt)	January 2044	5.01%	23,765,000	Bonds secured by Obligations issued under the Master Trust Indenture (MTI)
2014B (taxable)	January 2029	5.49%	10,060,000	Bonds secured by Obligations issued under the Master Trust Indenture (MTI)
<b>Total</b>			<b><u>\$33,825,000</u></b>	

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>As of 06/30/17</i>	<i>Property Collateral and Description</i>
<b>New York Medical College</b>				
<i>DASNY</i>				
2014A (tax exempt)	January 2044	4.93%	45,155,000	Bonds secured by Obligations issued under the Master Trust Indenture (MTI)
2014B (taxable)	January 2029	5.34%	32,335,000	Bonds secured by Obligations issued under the Master Trust Indenture (MTI)
Empire State Funding	April 2023	5.00% imputed	2,525,297	Interest Free Note, collateralized by a letter of credit which is secured by a NYMC investment account and a Touro College guarantee.
<b>Total</b>			<b><u>\$80,015,297</u></b>	
<b>Hebrew Theological College</b>				
<i>North Shore I</i>				
	October 2018	Interest @ Libor plus 150 bps	730,210	Collateralized by all assets of HTC and guaranteed by the Jewish Federation of Metropolitan Chicago
<i>North Shore II</i>				
	October 2018	Interest @ Libor plus 315 bps	1,406,448	Collateralized by all assets of HTC
<b>Total</b>			<b><u>\$2,136,658</u></b>	
<b>SUMMARY</b>				
<b>Bond Debt</b>			<b>\$197,181,500</b>	
<b>Other Long Term Debt</b>			<b>12,017,023</b>	
<b>Capital Leases (not listed)</b>			<b><u>16,678,077</u></b>	
			<b><u>\$225,876,600</u></b>	

(Excludes deferred financing costs, premiums, discounts, swap values and two mortgages repaid since June 30, 2017.)

## Lines of Credit

Touro has an available line of credit with Sterling National Bank of \$14 million that is renewable annually, of which \$11 million was outstanding as of June 30, 2017. The line of credit, a term loan of approximately \$2.8 million at June 30, 2017 and letters of credit in the amount of \$235,000 as of June 30, 2017 are secured by investments with a market value of approximately \$9.8 million as of June 30, 2017. The aforementioned debt is further secured by a general security agreement covering substantially all Touro assets excluding certain properties with a net book value totaling approximately \$108 million as of June 30, 2017, and a general revenue pledge excluding affiliates and revenue pledged under other debt agreements (including the Master Indenture).

NYMC has a \$22 million line of credit with Stifel Bank & Trust, of which \$19.5 million was outstanding as of June 30, 2017. Investment accounts with a value of \$32.7 million at June 30, 2017 serve as collateral for the line of credit. NYMC also has a letter of credit with Sterling National Bank in the amount of approximately \$3.0 million that secures a long term note payable in the amount of \$2.5 million at June 30, 2017. The letter of credit is secured by an additional investment account with a value of approximately \$1.6 million at June 30, 2017.

TU has a \$5.0 million short term revolving line of credit loan agreement with California Bank & Trust that has been extended to September 30, 2018 and is secured by a securities account with a value of \$8.1 million. The amount outstanding may not exceed the lower of 65% of the value of the securities account or \$5.0 million.

### **Swap Agreements**

Touro has entered into interest rate swap agreements with Peoples United Bank to manage the interest rate risk with respect to its DASNY 2013 Law School Bonds. Under the terms of these agreements, Touro pays a fixed rate for ten years (the mandatory tender date of the related tax-exempt bonds) of 3.6824% on a notional amount of \$19.520 million and for eight years (the maturity date of the related taxable bonds) of 3.7878% on a notional amount of \$1.875 million and receives a variable rate equal to the interest rate on the related bonds. The notional amounts on the swaps reduce over time parallel to the related bonds. Under certain circumstances, such swap agreement may be terminated by Touro or by the counterparty. Upon termination, Touro may be liable to pay a termination payment, which termination payment could be substantial. The termination payment that would be paid or received if the swap agreement were terminated on the last day of any financial statement date (i.e., the “mark-to-market” valuation) is reflected in the consolidated financial statements and was a liability of \$728,000 at June 30, 2017.

### **FINANCIAL AID**

Students attending programs offered by a Member of the Obligated Group are eligible to participate in programs under Title IV of the Higher Education Act of 1965 (as amended), including Pell Grants, SEOG, the Perkins Loan Program and the Direct Loan Program (guaranteed student loans). Students are also eligible for assistance through certain programs offered by the States of New York, Nevada, and California, as applicable. The availability and amount of the various State and federal programs depend on annual appropriations by the State legislature or Congress and the funding of such programs. Many students also obtain private bank loans.

A summary of the sources of financial aid provided to students attending any of the programs offered by the System for the past five fiscal years is as follows:

**SOURCES OF FINANCIAL AID**

(Dollars in Thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Federal Loan Programs	\$290,442	\$290,906	\$302,777	\$316,123	\$331,406
Federal Perkins Loans	1,612	1,660	7,984	8,046	3,690
Private Bank Loans	9,537	8,467	8,126	8,800	8,601
Pell Grants	17,303	15,569	16,205	16,577	15,899
SEOG*	505	394	442	355	527
NYS TAP**	11,287	9,850	10,020	9,544	8,915
Institutional Financial Aid***	<u>32,704</u>	<u>31,735</u>	<u>33,603</u>	<u>39,213</u>	<u>42,656</u>
Total	\$363,390	\$358,581	\$379,157	\$398,658	\$411,694

\* Supplemental Educational Opportunity Grant - Includes 75% Federal funding and 25% institutional contribution.

\*\* New York State Tuition Assistance Program.

\*\*\* Does not include Federal Work-Study or tuition remission.

In the last two years, the scholarships and grants were primarily provided to students attending the Lander Colleges, NYSCAS and Law School programs. In fiscal years 2017 and 2016, the scholarships granted to students attending programs offered by the Members of the Obligated Group whose revenues are pledged pursuant to the Master Indenture comprised approximately 29.5% and 20.4%, respectively, of the total scholarships for Touro on a consolidated basis.

Colleges and universities are required to meet certain conditions so that their students may be eligible for certain loan and grant programs and are subject to audit by governmental agencies regarding the receipt and expenditure of loan and grant amounts. The United States Department of Education is conducting a program review of HTC for certain periods prior to its becoming a member of the System for which a final report has not been issued. In the opinion of management, financial impact from such audits and program review, if any, will not have a material adverse effect on the consolidated financial position of HTC.

## RESEARCH

NYMC, Touro, TU and TUN receive grants and contracts from federal and state government sources. Government grants and current contracts revenue for the past five years are reflected in the table below. Most of the government contracts and grants are received by NYMC. The largest funder of NYMC programs is the federal government; the National Institutes of Health is the largest contributor. Additional support derives from the Department of Defense, the Centers for Disease Control and Prevention, the Health Resources and Services Administration and NASA.

(Dollars in Thousands)

<u>Fiscal Year</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
2013	\$15,246	\$62	\$15,308
2014	12,958	50	13,008
2015	12,728	205	12,933
2016	12,063	183	12,246
2017	10,922	71	10,993

## FUNDRAISING

The System is currently expanding its development apparatus and is focusing on reaching out to alumni and supporters throughout the United States to generate sustained annual, directed and capital giving as well as grow its endowment to fund both research activity and scholarships for individual students. Fundraising efforts throughout the System are being coordinated through the Office of Institutional Advancement in New York. The development office includes a major gifts position and is investigating planned giving. The Graduate School of Social Work has its own office of development and alumni relations and TCDM has also established its own office of institutional development. The newly established TCDM advisory board consists of philanthropists who have expressed an interest in supporting the school and has conducted a number of successful and profitable fundraising galas and events. The development offices at TU, TUN and NYMC have run successful fundraising events and have plans to solicit named gifts for rooms, floors and other typical naming opportunities that would be used for unrestricted and general fund purposes. During the year ended June 30, 2017, NYMC collected a \$3 million bequest, the largest single gift ever received by NYMC.

Government grants have been solicited to support programs at the Touro Law School, the Graduate School of Social Work, TU, TUN and NYMC. Grants for facility development have also been received by TUN for its active aging clinic and by Touro and NYMC for the development of NYMC's Dana Road facility and TCDM.

The following table shows the amounts recorded by the System in accordance with generally accepted accounting principles as contributions, private gifts, grants and bequests over the past five fiscal years ended on June 30, 2017:

**Donations and Pledges  
(in thousands)**

<u>Year</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2013	\$4,918	\$2,268	\$1,724	\$8,910
2014	4,410	1,847	1,258	7,515
2015	11,184	4,332	3,751	19,267
2016	8,026	2,435	528	10,999
2017	7,927	3,909	1,120	12,956

**PENSION PLANS AND OTHER POST RETIREMENT BENEFITS**

**Retirement Plans**

The System has defined contribution retirement plans that cover substantially all of its nonunion employees, which are funded through direct payments to qualified carriers. Employer contributions consist of both discretionary and matching amounts. For the years ended June 30, 2017 and 2016, the System contributed \$8,841 and \$8,934, respectively, to its defined contribution retirement plans.

In addition, \$443 and \$451 was contributed in the years ended June 30, 2017 and 2016, respectively, to a union administered plan for employees of NYMC belonging to a collective bargaining unit. NYMC would be responsible for any withdrawal liability under the agreement with the union.

NYMC's participation in the union administered plan is outlined below. Unless otherwise noted, the Pension Protection Act (PPA) zone status below is for the plan years beginning January 1, 2016, 2015, and 2014, respectively. The zone status is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plan is subject.

<u>Pension fund</u>	<u>EIN/pension plan number</u>	<u>PPA zone status</u>	<u>FIP/RP status pending/ implemented</u>	<u>Surcharge imposed</u>	<u>Expiration date of collective-bargaining agreement</u>
1199 SEIU Health Care Employee Fund	13-3604862/001	Green	*RP Implemented	No	September 30, 2018

\* The 1199 Health Care Employee pension fund has implemented a rehabilitation plan for the period January 1, 2012 through December 31, 2024.

## **Postretirement Benefits Other than Pensions**

NYMC provides medical and life insurance benefits under its Postretirement Life and Health Insurance Plan for Eligible Employees at NYMC (the Plan). NYMC's obligation is limited and requires participants to contribute to premiums as determined by the Plan's administrator. NYMC reserves the right to amend or terminate the Plan at its discretion. These benefits are partially funded through a voluntary employees' beneficiary association (VEBA) trust.

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act allows employers who offer actuarially equivalent prescription drug benefits to retirees to receive a federal subsidy starting in 2006. Actuarial equivalence of the program's prescription drug benefit is determined based on a two prong test. The actuarial values of the prescription drug coverage are based on national statistics and then adjusted to reflect drug utilization for the Plan. Based on these values, it is assumed that the prescription drug benefit for the unfunded plan will be actuarially equivalent in 2006 and for all years thereafter.

For those employees who had already retired at the time the VEBA was established, NYMC pays actual benefits from its general assets. For subsequent retirees, NYMC's funding policy is to contribute an amount up to the annual expense in years when the Present Value of Future Benefits (PVFB) exceeds assets. Since assets are less than PVFB, NYMC may elect to make a contribution in fiscal year 2017.

## **INSURANCE**

Touro's and NYMC's main employee medical plans are self-insured and Empire Blue Cross/Blue Shield ("Empire") is the third party administrator for the plans. In addition to paying claims and handling all record keeping, Empire provides its extensive network of health care providers and facilities with the substantial discounts that have been negotiated for Empire's insured medical plans. Touro purchases individual and aggregate stop-loss insurance to limit exposure to large claims for both plans. TU and TUN offer employee medical plans that are fully insured.

The System maintains the following insurance coverage: (a) commercial (including property and liability); (b) directors and officers liability; (c) disability; (d) workers compensation; (e) cyber security; and (f) medical and dental malpractice insurance. Members of the Obligated Group maintain appropriate insurance coverage during the development and operation of their applicable projects.

The System purchases comprehensive insurance coverage in the traditional categories of workers' compensation, property, and general liability, as well as in other categories, such as educators' legal liability. Coverage levels are maintained at industry standards. Most coverages are purchased or bid for the entire System while other coverages are purchased separately by individual affiliates to satisfy local or state requirements.

## **LITIGATION**

No material action, suit proceeding, or investigation at law or in equity, before or by any court, any governmental agency, or any public board or body against any Member of the Obligated Group is pending. There is presently no material litigation pending or, to the best of its officers' knowledge, overtly threatened against the Obligated Group which, in the Management's opinion, would result in recovery which is not covered by applicable insurance programs less deductible provisions in an amount that could have a material adverse effect on the financial position of the System.

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**APPENDIX B-2**

**FINANCIAL STATEMENTS OF TOURO COLLEGE  
AND INDEPENDENT AUDITORS' REPORT**

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**TOURO COLLEGE AND RELATED ENTITIES**  
Consolidated Financial Statements and Schedules  
June 30, 2017 and 2016  
(With Independent Auditors' Report Thereon)



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

## **Independent Auditors' Report**

The Board of Trustees  
Touro College:

We have audited the accompanying consolidated financial statements of Touro College and related entities, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Touro College and related entities as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information identified as Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*KPMG LLP*

October 30, 2017

**TOURO COLLEGE AND RELATED ENTITIES**

Consolidated Statements of Financial Position

June 30, 2017 and 2016

(Dollars in thousands)

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 24,502	23,375
Receivables (note 3):		
Student tuition and fees, net	9,100	8,968
Student loans, net	13,341	14,610
Other, net	42,129	35,719
Investments (note 4)	106,299	100,476
Property and equipment, net (note 8)	531,455	529,896
Deposits with bond trustee (notes 5 and 9)	26,852	32,328
Other assets (note 10)	25,120	23,991
Beneficial interest in perpetual trusts (note 5)	12,081	11,007
Total assets	\$ 790,879	780,370
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts and accrued expenses payable	\$ 34,920	35,837
Accrued payroll and related benefits payable (note 15)	38,427	35,792
Deferred revenue	58,083	51,168
Lines of credit and short-term debt (note 11)	30,500	34,750
Long-term debt, net (note 12)	249,961	255,130
Refundable federal student loans	9,278	10,834
Other liabilities (note 13)	5,683	3,987
Total liabilities	426,852	427,498
Commitments and contingencies (notes 11, 12, 14, 15, 18, and 19)		
Net assets (notes 6 and 7):		
Unrestricted	286,662	280,620
Temporarily restricted	33,388	30,529
Permanently restricted	43,977	41,723
Total net assets	364,027	352,872
Total liabilities and net assets	\$ 790,879	780,370

See accompanying notes to consolidated financial statements.

**TOURO COLLEGE AND RELATED ENTITIES**

Consolidated Statements of Activities

Years ended June 30, 2017 and 2016

(Dollars in thousands)

	2017				2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue:								
Tuition and fees, net of allowance	\$ 434,748	—	—	434,748	414,217	—	—	414,217
Less scholarships and grants	(42,656)	—	—	(42,656)	(39,213)	—	—	(39,213)
Net tuition and fees	392,092	—	—	392,092	375,004	—	—	375,004
Affiliation contracts and faculty practice	27,200	—	—	27,200	31,142	—	—	31,142
Government grants for research and sponsored projects	29,498	—	—	29,498	25,143	—	—	25,143
Contributions and private grants	7,927	3,909	1,120	12,956	8,026	2,435	538	10,999
Investment return (note 4)	5,266	264	—	5,530	5,254	(564)	—	4,690
Auxiliary enterprises	14,241	—	—	14,241	13,220	—	—	13,220
Other	7,424	(353)	80	7,151	6,787	4	81	6,872
Net assets released from restrictions	3,183	(3,183)	—	—	1,647	(1,647)	—	—
Total operating revenue	486,831	637	1,200	488,668	466,223	228	619	467,070
Operating expenses (note 16):								
Instruction and research	229,470	—	—	229,470	225,175	—	—	225,175
Academic support	77,826	—	—	77,826	79,044	—	—	79,044
Affiliation contracts and faculty practice	25,435	—	—	25,435	29,192	—	—	29,192
Student services	50,042	—	—	50,042	49,035	—	—	49,035
Institutional support	85,056	—	—	85,056	86,932	—	—	86,932
Auxiliary enterprises	15,492	—	—	15,492	15,165	—	—	15,165
Total operating expenses	483,321	—	—	483,321	484,543	—	—	484,543
Change in net assets from operating activities, before gain on sale	3,510	637	1,200	5,347	(18,320)	228	619	(17,473)
Gain on sale (note 13)	—	—	—	—	10,591	—	—	10,591
Change in net assets from operating activities, after gain on sale	3,510	637	1,200	5,347	(7,729)	228	619	(6,882)
Nonoperating activities:								
Postretirement-related changes other than net periodic benefit cost (note 15)	(457)	—	—	(457)	(1,521)	—	—	(1,521)
Investment return in excess of (less than) amounts appropriated for operations (note 4)	2,187	2,222	(20)	4,389	(4,460)	(2,282)	13	(6,729)
Change in fair value of interest rate swaps (note 12)	1,002	—	—	1,002	(864)	—	—	(864)
Change in fair value beneficial interest in perpetual trusts (note 5)	—	—	1,074	1,074	—	—	(1,115)	(1,115)
Other	(200)	—	—	(200)	(1,202)	—	702	(500)
Change in net assets	6,042	2,859	2,254	11,155	(15,776)	(2,054)	219	(17,611)
Net assets, beginning of year	280,620	30,529	41,723	352,872	296,396	32,583	41,504	370,483
Net assets, end of year	\$ 286,662	33,388	43,977	364,027	280,620	30,529	41,723	352,872

See accompanying notes to consolidated financial statements.

**TOURO COLLEGE AND RELATED ENTITIES**

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016

(Dollars in thousands)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 11,155	(17,611)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	26,991	25,980
Amortization of deferred financing costs	335	345
Amortization of bond premium, net	(240)	(249)
Postretirement-related changes other than net periodic benefit cost	457	1,521
Accretion of imputed interest	124	1,411
Permanently restricted contributions	(1,120)	(538)
Gain on sale	—	(10,591)
Loss on disposal/sale of assets held for sale	—	83
Change in fair value of beneficial interest in perpetual trusts	(1,074)	1,115
Net change in fair value of investments	(8,595)	2,719
Change in fair value of interest rate swaps	(1,002)	864
Changes in operating assets and liabilities:		
Student receivable, net	(132)	(4,140)
Other receivables	(6,410)	(1,863)
Other assets	(371)	(121)
Accounts and accrued expenses payable	(1,031)	6,450
Accrued payroll and related benefits payable	2,178	4,818
Deferred revenue	6,915	15,330
Other liabilities	1,696	(6,618)
Net cash provided by operating activities	29,876	18,905
Cash flows from investing activities:		
Purchases of property and equipment	(23,796)	(14,775)
Change in accounts payable for capital	114	(2,004)
Additions to assets held for sale	(872)	(779)
Proceeds from assets held for sale	—	1,073
Disbursement of student loans	(2,430)	(2,887)
Collection of student loans	4,065	3,084
Sales of investments	97,967	46,187
Purchases of investments	(95,195)	(36,874)
Net cash used in investing activities	(20,147)	(6,975)
Cash flows from financing activities:		
Lines of credit and short-term debt, net	(4,250)	550
Proceeds from long-term debt	773	100
Repayment of long-term debt	(10,197)	(8,149)
Change in deposits with bond trustee	5,476	7,408
Permanently restricted contributions	1,120	538
Advance from the federal government for student loans	(1,556)	69
Change in restricted cash	32	(27)
Net cash (used in) provided by financing activities	(8,602)	489
Net change in cash and cash equivalents	1,127	12,419
Cash and cash equivalents, beginning of year	23,375	10,956
Cash and cash equivalents, end of year	\$ 24,502	23,375
Supplemental disclosures:		
Interest paid	\$ 11,980	12,093
Furniture, equipment, and computer software acquired under capital leases	5,038	3,303

See accompanying notes to consolidated financial statements.

## TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

### (1) Description of the Organization

Touro College (Touro), established in 1970, is primarily located in the New York City Metropolitan area, and has undergraduate programs offering bachelor and associate degrees, graduate programs offering master's degrees, and professional schools, including a Law School, a School of Health Sciences, a College of Osteopathic Medicine, a School of Pharmacy, and a College of Dental Medicine. Touro operates the following entities:

- Touro University, a California corporation (TU), which has two operating divisions: Touro University California (TUC) and Touro University Worldwide (TUW). TUC includes a College of Osteopathic Medicine, a College of Pharmacy, and a College of Education and Health Sciences. TUW operates a distance-learning school offering associate, bachelor, master's and doctoral degrees, and, through Touro College Los Angeles (TCLA), offers bachelor degrees in business management and administration and psychology.
- Touro University Nevada, a Nevada corporation (TUN), established as a branch campus of TUC, which includes a College of Osteopathic Medicine and a College of Health and Human Services offering various programs in the health professions and education.
- New York Medical College (NYMC), which includes a New York School of Medicine that confers the MD degree, a Graduate School of Basic Medical Sciences, and a School of Health Sciences and Practice, that offer master's and doctoral degrees.
- Hebrew Theological College (HTC), an Illinois nonprofit organization that operates a college offering bachelor degrees and a high school.
- Other related entities, including various foundations, yeshivas, and special-purpose entities.

Touro and its related entities are hereinafter collectively referred to as the College.

### (2) Summary of Significant Accounting Policies

#### (a) Financial Statement Presentation

The accompanying consolidated financial statements of the College have been prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board for external financial reporting by not-for-profit organizations. Those standards require the classification of activities and net assets into one of three classes as follows:

- Unrestricted: Net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted: Net assets subject to donor-imposed restrictions that will be met by either actions of the College or the passage of time.
- Permanently restricted: Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by the College, but permit the College to expend all or part of the income derived therefrom.

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

Revenues and gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Contributions and investment return subject to donor-imposed restrictions that are met in the same reporting-period as received are reported as unrestricted revenue. Expiration of temporary restrictions on prior year net asset balances is reported as net assets released from restrictions.

#### **(b) Basis of Consolidation**

The consolidated financial statements include the accounts and activities of Touro, TU, TUN, NYMC, HTC, Yeshiva Operations (Yeshivas Ohr Hachaim (YOC) and Rabbi Dov Revel Yeshiva of Forest Hills, Inc. (Dov Revel)), special-purpose entities, and supporting foundations. All transactions between the entities have been eliminated in the consolidated financial statements.

#### **(c) Cash and Cash Equivalents**

The College considers all highly liquid instruments with original maturities of three months or less, to be cash and cash equivalents, except those cash and cash equivalents that are held for investment as part of the College's long-term investment strategy.

#### **(d) Student Tuition and Fees**

Tuition and fees and scholarships are recognized over the respective academic term. Receivable balances are reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is management's best estimate of the probable loss based on historical collection experience. Management regularly assesses the collectibility of student tuition and fees receivable. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Revisions in the allowance for doubtful accounts estimate are recorded as adjustments to the provision for bad debts, which is included in tuition and fees.

Collection of a significant portion of tuition and fees is reliant on government-sponsored student financial assistance programs.

#### **(e) Student Loans Receivable**

The College makes uncollateralized loans to students based on financial need. Student loans are funded mainly through federal government loan programs. The College's student loans receivable represents the amounts due from current and former students under the Federal Perkins, Primary Care, and College-sponsored loan programs. Loans disbursed under the Federal Perkins and Primary Care loan programs are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including consideration of economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral, the aging of loans, loan default rate, and where applicable, the existence of any guarantees or indemnifications. The amount of the allowance is adjusted based on the results of management's analysis.

## TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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(Dollars in thousands)

### **(f) Refundable Federal Student Loans**

Funds provided by the federal government under federal loan programs are loaned to qualified students and may be loaned again after cash collections. These funds are ultimately refundable to the government and are recognized as a liability in the accompanying consolidated statements of financial position.

### **(g) Pledges Receivable**

Unconditional promises to give (pledges) are recorded as revenue at fair value in the period pledged. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discount is recorded as additional contribution revenue. Conditional pledges and pledges subject to a substantial risk of forfeiture are not recorded until the conditions are substantially met or the risks eliminated.

### **(h) Operating Measure**

The operating activities of the College include all revenue and expenses related to carrying out its mission of education, research, and patient service. The operating measure also includes amounts related to the spending rate policy and any additional budgeted investment returns on endowment funds to protect the inflation-adjusted value of the endowment and all other nonendowment investment returns. The operating activities exclude investment return greater than (less than) the spending rate, postretirement-related changes other than net periodic benefit cost, change in fair value of beneficial interest in perpetual trusts, change in fair value of interest rate swaps, and other nonrecurring items.

### **(i) Investments**

Investments with readily determinable fair values are reported at fair value based upon quoted market prices or published net asset value for alternative investments in funds similar to mutual funds. Alternative investments, including equity and fixed income funds, which are not deemed to have a readily determinable value, are reported at estimated fair value based on, as a practical expedient, net asset values provided by investment managers. These values are reviewed and evaluated by College management for reasonableness. The reported values may differ from the values that would have been reported had a ready market for these investments existed.

Purchases and sales are reflected on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected on the consolidated statements of activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Investments are exposed to various risks, such as interest rate, market, credit, and other risks. Due to such risks and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

## TOURO COLLEGE AND RELATED ENTITIES

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### **(j) Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The College employs the three-tiered fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, defined as follows:

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

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, the College excludes from the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient.

### **(k) Beneficial Interest in Perpetual Trusts**

The College is the recipient of beneficial interests whereby donors have established and funded perpetual trusts administered and held by financial institutions. The College is entitled to the income earned on the trust assets in perpetuity; therefore, they are recorded as permanently restricted net assets. The College has no control over investment decisions regarding these assets. The beneficial interest in perpetual trusts is categorized as Level 3 in the fair value hierarchy due to the lack of control over the permanently restricted trust assets. The fair value of the assets of perpetual trusts is based upon quoted market prices at year-end. As of June 30, 2017 and 2016, the fair value of the perpetual trusts is \$12,081 and \$11,007, respectively.

### **(l) Property and Equipment**

Property and equipment are recorded at cost at date of acquisition or fair value as of the date of acquisition or receipt from a donor. Additions and improvements or betterments having a useful life of more than one year are capitalized. Repairs and maintenance items are expensed when incurred. Upon retirement or sale, the cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reported on the consolidated statements of activities.

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

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Leasehold improvements are amortized on a straight line basis over the shorter of the term of the respective lease, including reasonably assured renewal periods, or the useful life of the assets (ranging from 3 to 30 years). For all other depreciable assets placed in service, depreciation and amortization are provided on a straight-line basis over the estimated useful life of the assets as follows:

	<b>Useful life (in years)</b>
Buildings and improvements	40–43
Leasehold improvements	3–30
Interest in leased properties	20–30
Furniture, equipment, and computer software	3–20
Library holdings	10–20

#### **(m) Long-Lived Assets**

Long-lived assets and identifiable intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The College measures the recoverability of assets to be held and used by a comparison of the carrying amount of the assets to the expected net future cash flows to be generated by the asset, or, for identifiable intangible assets with finite useful lives, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2017 and 2016.

#### **(n) Interest Rate Swap Agreements**

The College utilizes interest rate swaps in a limited manner outside of its investment portfolio to manage interest rate risk associated with certain of its variable rate long-term debt (note 12(b)). These interest rate swap agreements are reported at fair value based on valuations provided by a third-party, based on prevailing interest rates for swaps of the same maturity. Any gains or losses from changes in the fair value of these instruments are recognized in nonoperating activities.

#### **(o) Deferred Rent**

Rent abatements and incentives in the initial years of certain leases give rise to deferred rent reflecting the cumulative excess of rental expense on a straight-line basis over cash payments and are included in other liabilities.

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

#### **(p) Affiliation Contracts and Faculty Practice**

Revenues and expenses from affiliation contracts primarily reflect the contractual relationship with Westchester Medical Center (WMC) for the provision of salaries and fringe benefits and allowable overhead for physicians providing services under the arrangement. For the years ended June 30, 2017 and 2016, revenue from WMC totaled \$19,741 and \$21,134, respectively. Additionally, faculty practice revenue totaled \$5,108 and \$8,798, respectively.

#### **(q) Intangible Assets**

Intangible assets, which are included in other assets on the Consolidated Statements of Financial Position, consist primarily of the trade name and accreditation status recognized at the time of acquisition of NYMC and HTC. The intangible asset is indefinite-lived and is evaluated for impairment on an annual basis.

#### **(r) Grants and Contributions**

The College receives grants and contributions from a number of sources, including the federal and state governments, private foundations, and individuals. Each contract or gift instrument is evaluated as to whether the transaction qualifies as an exchange transaction or a contribution. Grants and contributions that are treated as exchange transactions are reported as unrestricted revenue when expenses are incurred in accordance with contractual terms. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified in deferred revenue on the consolidated statements of financial position.

Receipts qualifying as contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

#### **(s) Fundraising and Advertising**

Institutional support expenses include total fundraising expenses costs of \$2,560 and \$2,524 for the years ended June 30, 2017 and 2016, respectively. Fundraising activities of the College include salaries and employee benefits of program staff that develop proposals for fundraising, solicit contributions, and conduct specific fundraising events. Fundraising and advertising costs are expensed as incurred. Advertising costs, primarily for recruitment of students, were \$5,930 and \$4,636 in 2017 and 2016, respectively.

#### **(t) Income Tax Status**

The College, its related operating entities and NYMC, LLC qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code as public charities and are exempt from federal, state, and local income taxes on related income. Each of the College's exempt entities files the Return of Organization Exempt from Income Tax (Form 990), except for YOC, Dov Revel, and HTC, which are exempt from such filing.

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

**(u) Accounting for Uncertainty in Income Taxes**

The College prescribes to a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. As of June 30, 2017 and 2016, the College does not have any uncertain tax positions or any unrelated business income tax liability, which would have a material impact upon its consolidated financial statements.

**(v) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates are the calculation of deferred tuition revenue, the allowance for doubtful accounts, valuation of investments and interest rate swaps, postretirement benefit obligations, and allocation of expenses to functional categories. Actual results may differ from those estimates.

**(w) Reclassification**

Certain prior-year amounts have been reclassified to conform to the current year presentation.

**(3) Receivables**

Receivables at June 30, 2017 and 2016 consist of the following:

<u>2017</u>	<u>Receivable</u>	<u>Allowance for doubtful accounts</u>	<u>Net receivable</u>
Student tuition and fees	\$ 16,310	(7,210)	9,100
Student loans	\$ 13,980	(639)	13,341
Other:			
Government and other grants	\$ 14,331	—	14,331
Affiliation contracts	2,853	(1,036)	1,817
Faculty practice plan	726	(116)	610
Pledges and bequests receivable	11,677	(231)	11,446
Miscellaneous	15,149	(1,224)	13,925
Total other	\$ 44,736	(2,607)	42,129

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

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(Dollars in thousands)

<u>2016</u>	<u>Accounts receivable</u>	<u>Allowance for doubtful accounts</u>	<u>Net receivable</u>
Student tuition and fees	\$ 14,757	(5,789)	8,968
Student loans	\$ 15,160	(550)	14,610
Other:			
Government and other grants	\$ 9,733	—	9,733
Affiliation contracts	3,719	(1,139)	2,580
Faculty practice plan	5,303	(3,820)	1,483
Pledges and bequests receivable	14,266	(164)	14,102
Miscellaneous	8,993	(1,172)	7,821
Total other	\$ 42,014	(6,295)	35,719

The following tables provide an analysis of the aging of certain receivables as of June 30:

<u>2017</u>						
	<u>1-30 days past due</u>	<u>31-60 days past due</u>	<u>Greater than 60 days past due</u>	<u>Total past due</u>	<u>Current</u>	<u>Total</u>
Student loans	\$ 171	86	1,489	1,746	12,234	13,980
Affiliation contracts	52	52	1,702	1,806	1,047	2,853
Faculty practice plan	64	55	502	621	105	726
Pledges and bequests	—	—	2,738	2,738	8,939	11,677
Miscellaneous	188	83	1,913	2,184	12,965	15,149

<u>2016</u>						
	<u>1-30 days past due</u>	<u>31-60 days past due</u>	<u>Greater than 60 days past due</u>	<u>Total past due</u>	<u>Current</u>	<u>Total</u>
Student loans	\$ 178	86	1,863	2,127	13,033	15,160
Affiliation contracts	40	40	2,223	2,303	1,416	3,719
Faculty practice plan	326	192	4,636	5,154	149	5,303
Pledges and bequests	—	—	1,985	1,985	12,281	14,266
Miscellaneous	216	267	1,140	1,623	7,370	8,993

**TOURO COLLEGE AND RELATED ENTITIES**

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Pledges and bequests receivable as of June 30 consist of the following:

	<b>2017</b>	<b>2016</b>
Amounts due in less than one year	\$ 4,955	4,803
Amounts due in one to five years	8,598	10,760
Amounts due in more than five years	77	380
	13,630	15,943
Less:		
Discount to net present value (discount rates ranging from 3.25% to 5%)	(1,953)	(1,677)
	11,677	14,266
Allowance for uncollectible pledges	(231)	(164)
	\$ 11,446	14,102

**(4) Investments**

Investments at fair value consist of the following as of June 30:

	<b>2017</b>	<b>2016</b>
Level 1 Investments:		
Cash and cash equivalents	\$ 9,550	6,330
Fixed income securities:		
U.S. government obligations	1,727	332
Domestic corporate bonds	400	350
International government obligations	353	331
Equity securities:		
Domestic securities	15,916	14,338
Foreign securities	1,270	1,067
Mutual funds:		
Equity mutual funds	57,952	38,749
Bond mutual funds	2,645	8,825
Closed-end funds	622	181
Equity and fixed income funds:		
Global equity funds (a)	150	7,260
Global large/mid-cap funds (b)	—	2,462
High-quality bond fund (c)	—	1,148
Global bond fund (d)	—	1,096
Hedge fund strategies:		
Real assets	—	716
Total Level 1 investments	90,585	83,185

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

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	<b>2017</b>	<b>2016</b>
Level 2 investments:		
Fixed income securities:		
Corporate bonds	\$ 7,917	—
Investments measured at net asset value as a practical expedient for fair value:		
Hedge fund strategies:		
Diversifying funds (e)	—	2,652
Global hedged equity funds (f)	1,708	6,570
Relative value and event driven (g)	3,178	3,986
Real assets (h)	40	433
Real estate partnerships (i)	1,562	2,720
Other	1,309	930
Total investments measured at net asset value as a practical expedient for fair value	7,797	17,291
Total investments	\$ 106,299	100,476

- (a) Consists of securities in emerging and developed markets diversified across growth and value styles.
- (b) Consists of investments in large and mid-capital equity securities using an indexing investment approach.
- (c) Consists of high quality, investment grade only, fixed income securities.
- (d) Consists of securities issued by U.S. and foreign governments, their agencies and instrumentalities, U.S. and foreign corporations, and asset-backed and mortgage-backed securities.
- (e) Includes investments designed to identify opportunities through mathematical, algorithmic, and technical models, including international and domestic investments within equity indices, currencies, interest rates, and commodities.
- (f) Funds that invest in long and short positions on equity securities primarily issued by international companies.
- (g) Investments in three strategies; credit, event driven, and multi-strategy. Credit funds consist of investments in assets such as distressed and current pay bonds and bank debt, mortgage-backed securities, both residential and commercial, as well as post reorganization equity liquidations. Event driven funds consist of investments in common and preferred equities and various types of debt, often based on the assessment that a particular event will occur. Multi-strategy funds consist of investments in multiple investment strategies including but not limited to hedged equity, event driven, and diversified hedge.

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

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- (h) Investments across a broad range of commodity oriented asset categories and pursues a multi-strategy approach to investing in commodities markets. At least 80% of the net assets of the fund will have investment exposure to commodities with the remaining portion allocated to noncommodity investments.
- (i) Investments in real estate funds invested in office, multifamily, industrial, and other commercial real estate properties or other commercial real estate investments located primarily in the United States. The objective of the partnerships is to achieve long-term gross returns while focusing on the preservation of capital. The partnerships do not permit redemptions.

Equity, fixed income, and hedge funds generally may be redeemed once a month with approximately two weeks' notice required.

Certain investments have been pledged as security for outstanding debt obligations (notes 11 and 12).

The following schedule summarizes the investment return for the years ended June 30:

	2017	2016
Dividends and interest, net of management and related fees of \$458 in 2017 and \$424 in 2016	\$ 1,324	680
Net change in fair value of investments	8,595	(2,719)
Total investment return	9,919	(2,039)
Investment return for appropriated for operations	5,530	4,690
Investment return in excess of (less than) amounts appropriated for operations, reported as nonoperating activities	\$ 4,389	(6,729)

### (5) Fair Value Measurements

The fair value of financial assets other than investments that are measured at fair value at June 30, 2017 and 2016 is as follows:

	2017			
	Total	Level 1	Level 2	Level 3
Beneficial interest in perpetual trusts	\$ 12,081	—	—	12,081
Deposits with bond trustee:				
U.S. government obligations	26,852	26,852	—	—

**TOURO COLLEGE AND RELATED ENTITIES**

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(Dollars in thousands)

	<b>2016</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Beneficial interest in perpetual trusts	\$ 11,007	—	—	11,007
Deposits with bond trustee: U.S. government obligations	32,328	32,328	—	—

The activity with respect to beneficial interest in perpetual trusts, which are Level 3, is as follows:

	<b>2017</b>	<b>2016</b>
Balance at beginning of year	\$ 11,007	12,122
Investment income	418	561
Distributions	(418)	(561)
Net appreciation (depreciation) in fair value of investments	1,074	(1,115)
Balance at end of year	\$ <u>12,081</u>	<u>11,007</u>

There were no transfers between Level 1 and Level 2 securities for the years ended June 30, 2017 and 2016.

**(6) Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets at June 30 consist principally of appreciation on donor-restricted endowment funds and pledges receivable and are available for the following purposes:

	<b>2017</b>	<b>2016</b>
Student support	\$ 7,108	5,868
Departmental support	7,991	7,680
General operating support	12,722	11,781
Research	4,388	4,108
Educational programs	1,179	1,092
Total	\$ <u>33,388</u>	<u>30,529</u>

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Permanently restricted net assets, including beneficial interest in perpetual trusts of \$12,081 and \$11,007 at June 30, 2017 and 2016, respectively, are restricted to investment in perpetuity with investment returns available to support the following activities:

	<b>2017</b>	<b>2016</b>
Student support	\$ 5,594	5,504
Departmental support	25,921	24,045
General operating support	3,025	3,018
Research	1,883	1,903
Revolving loan funds	7,196	6,931
Educational programs	358	322
Total	\$ 43,977	41,723

**(7) Endowments**

The College's endowment consists of approximately 162 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees (the Board) to function as endowments.

The Board has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment as the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments. Donor-restricted endowment funds that are not classified as permanently restricted are classified as temporarily restricted net assets until appropriated for expenditure.

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

- (a) The duration and preservation of the endowment fund;
- (b) The purposes of the College and the endowment fund;
- (c) General economic conditions;
- (d) The possible effect of inflation and deflation;
- (e) The expected total return from income and the appreciation of investments;
- (f) Other resources of the College;

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

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(g) Alternatives to expenditure of the endowment fund; and

(h) The investment policies of the College.

Endowment net assets, which exclude beneficial interest in perpetual trusts and donor-restricted revolving loan funds, consist of the following as of June 30:

		<b>2017</b>			
		<b>Unrestricted</b>	<b>Temporary restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted	\$	—	18,917	24,734	43,651
Quasi (board-designated)		35,190	—	—	35,190
Total funds	\$	<u>35,190</u>	<u>18,917</u>	<u>24,734</u>	<u>78,841</u>

		<b>2016</b>			
		<b>Unrestricted</b>	<b>Temporary restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted	\$	—	17,199	23,780	40,979
Quasi (board-designated)		33,246	—	—	33,246
Total funds	\$	<u>33,246</u>	<u>17,199</u>	<u>23,780</u>	<u>74,225</u>

Expenditures from a donor-restricted fund are limited to the uses and purposes for which the endowment fund was established. The College has generally limited the use of net appreciation unless the fair value of a donor-restricted fund exceeds 105% of its original dollar value.

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Changes in endowment net assets were as follows:

	<u>Unrestricted</u>	<u>Temporary restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment funds, June 30, 2015	\$ 34,856	20,306	23,446	78,608
Investment return:				
Investment loss	(208)	(15)	—	(223)
Net (depreciation) appreciation	<u>(563)</u>	<u>(804)</u>	<u>13</u>	<u>(1,354)</u>
Total investment return	(771)	(819)	13	(1,577)
Contributions and transfers	11	(17)	342	336
Appropriated for expenditure	(1,290)	(1,882)	—	(3,172)
Other changes	<u>440</u>	<u>(389)</u>	<u>(21)</u>	<u>30</u>
Endowment funds, June 30, 2016	<u>33,246</u>	<u>17,199</u>	<u>23,780</u>	<u>74,225</u>
Investment return:				
Investment income	616	501	—	1,117
Net appreciation	<u>2,322</u>	<u>2,629</u>	<u>15</u>	<u>4,966</u>
Total investment return	2,938	3,130	15	6,083
Contributions and transfers	—	91	939	1,030
Appropriated for expenditure	(1,234)	(1,503)	—	(2,737)
Other changes	<u>240</u>	<u>—</u>	<u>—</u>	<u>240</u>
Endowment funds, June 30, 2017	\$ <u>35,190</u>	<u>18,917</u>	<u>24,734</u>	<u>78,841</u>

The College's spending policy rates for endowments are designed to stabilize annual spending levels and to preserve the real value of endowment investments over time. To meet these objectives, the Boards of Trustees have authorized a spending rate of 4% (5% for 2016) of the moving average of the fair value of endowment investments for the previous 20 quarters for NYMC and 4% of the fair value for the previous 12 quarters for Touro and other affiliates, respectively.

The College maintains investment pools for substantially all of its investments. The pools are managed to achieve the maximum prudent long-term total return while providing a predictable stream of funding to programs supported by the endowment.

**TOURO COLLEGE AND RELATED ENTITIES**

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**(8) Property and Equipment, Net**

Property and equipment consist of the following at June 30:

	<b>2017</b>	<b>2016</b>
Land	\$ 93,766	92,093
Buildings and improvements	417,123	408,120
Leasehold improvements	82,453	77,941
Interest in leased properties	30,660	30,660
Furniture, equipment, and computer software	83,109	72,989
Construction in progress	3,538	7,988
Library holdings	46,249	45,210
	756,898	735,001
Less accumulated depreciation and amortization	(225,443)	(205,105)
Property and equipment, net	\$ 531,455	529,896

The College's interest in leased properties includes the fair value of NYMC's interest in long-term leases on which the annual rental commitment is one dollar.

**(9) Deposits with Bond Trustee**

Under agreements related to bonds issued by the Dormitory Authority of the State of New York (DASNY), California Municipal Finance Authority (CMFA), and the City of Henderson, NV, Public Improvement Trust (HPIT), a portion of the bond proceeds were deposited with the trustee for capital expenditures related to construction, renovations, and improvements to campus buildings, for debt service reserve funds and for capitalized interest. Monthly debt service sinking fund payments are deposited with the trustee for servicing the debt. Deposits with bond trustee as of June 30 consist of the following:

	<b>2017</b>	<b>2016</b>
Construction funds	\$ 9,947	15,844
Debt service reserve funds	10,839	10,857
Debt service funds	6,066	4,651
Capitalized interest funds	—	976
Total	\$ 26,852	32,328

**TOURO COLLEGE AND RELATED ENTITIES**

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**(10) Other Assets**

Other assets as of June 30 consist of the following:

	<b>2017</b>	<b>2016</b>
Intangible assets (a)	\$ 10,842	10,925
Restricted cash	465	497
Assets held for sale (b)	5,301	4,429
Prepaid expenses	5,233	4,942
Other	3,279	3,198
Total	\$ 25,120	23,991

**(a) Intangible Assets**

In connection with the acquisitions of NYMC and HTC, the College recognized certain intangible assets. Intangible assets as of June 30 and their initial estimated useful lives are as follows:

	<b>Initial estimated useful lives</b>	<b>2017</b>	<b>2016</b>
Enrolled students:			
HTC	3	\$ 42	125
Trade name and accreditation status	Indefinite	10,800	10,800
		\$ 10,842	10,925

**(b) Assets Held for Sale**

YOC purchased various parcels of land in Sullivan County, New York, to develop a community centered around a summer learning facility of YOC and its related high schools. As part of the development project, YOC has established a condominium association for the portion of the land to be used for housing. As of June 30, 2017 and 2016, \$5,301 and \$4,429, respectively, is recorded as assets held for sale for the portion of the property associated with the condominium. During 2016, units with aggregate sales prices of \$1,073 were sold, including one unit sold to a member of the Board. The cost for the units sold and under contract approximates the sales prices.

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

#### **(11) Lines of Credit and Short-Term Debt**

Borrowing available under a line of credit was \$14,000 (Line) (\$11,000 and \$14,000 outstanding as of June 30, 2017 and 2016, respectively). Interest is payable monthly at the bank's base rate less 0.75% per annum (4.25% and 3.25% as of June 30, 2017 and 2016, respectively). The Line is renewable annually. The Line, a term loan of \$2,821 and \$2,956 at June 30, 2017 and 2016, respectively, (note 12(e)), and letters of credit in the amount of \$235 as of June 30, 2017 and 2016 are secured by investments with a market value of \$9,847 and \$8,678 as of June 30, 2017 and 2016, respectively. The aforementioned debt is further secured by a general security agreement covering substantially all Touro assets (excluding certain properties with a net book value totaling \$108,180 and \$109,913 as of June 30, 2017 and 2016, respectively), and a general revenue pledge excluding affiliates and revenue pledged under other debt agreements (note 12(a) and (b)) at June 30, 2017 and 2016, respectively.

At June 30, 2017, NYMC has a \$22,000 line of credit with a bank of which \$19,500 is outstanding. Interest is calculated at the 30 day London Interbank Offered Rate (LIBOR) plus 1.25%. Investments with a value of \$24,129 serves as collateral for the line of credit. NYMC also has a letter of credit with a bank in the amount of \$3,042 and \$3,625 at June 30, 2017 and 2016, respectively that secures a long term note payable in the amount of \$2,525 and \$2,860, respectively (note 12(f)). The letter of credit is secured by additional investments of \$1,622 at June 30, 2017.

At June 30, 2016, NYMC had a short-term note of \$2,250 and a line of credit at another bank with \$18,500 available and outstanding. Both the note and line of credit bear interest at LIBOR plus 1.00% (1.63% as of June 30, 2016). NYMC paid an annual fee of 0.30% of the unused portion of the credit line, which expired December 31, 2016.

TU entered into a \$4,000 short-term revolving line of credit loan agreement (the Agreement) with a bank secured by a securities account with a minimum value of \$6,200. Interest is payable monthly on any outstanding balance at 30 day LIBOR plus 2%. The Agreement was extended to September 30, 2018 and increased to \$5,000; however, the amount outstanding may not exceed 65% of the value of the securities account. There was no outstanding balance at June 30, 2017 and 2016.

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

**(12) Long-Term Debt**

The College's obligations under long-term bonds, notes payable, and capital lease obligations consist of the following:

Description	Maturity date	Interest rate	June 30	
			2017	2016
Bonds payable:				
Master Trust Indenture (MTI) (a):				
DASNY:				
2014A Middletown (tax exempt)	January 2042	4.70 %	\$ 10,805	10,805
Net premium			483	513
Total			11,288	11,318
2014A NYMC (tax exempt)	January 2044	4.65	45,155	45,155
Net premium			2,865	2,971
Total			48,020	48,126
2014B NYMC (taxable)	January 2029	5.75	32,335	34,375
Net discount			(195)	(211)
Total			32,140	34,164
CMFA (tax exempt)	January 2040	4.43	16,315	16,740
Net premium			707	764
Total			17,022	17,504
HPIT:				
2014A (tax exempt)	January 2044	5.01	23,765	23,965
Net premium			1,276	1,341
Total			25,041	25,306
2014B (taxable)	January 2029	5.49	10,060	10,690
Net discount			(23)	(25)
Total			10,037	10,665
Total MTI debt			143,548	147,083
DASNY Law Center Bonds (b)				
2013A (tax exempt)	December 2038	3.68	18,494	18,815
Swap value			728	1,704
Total			19,222	20,519
2013B (taxable)	December 2020	3.79	1,007	1,273
Swap value			—	26
Total			1,007	1,299

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

Description	Maturity date	Interest rate	June 30	
			2017	2016
DASNY Revenue Bonds (c) 2014A (tax exempt)	November 2044	3.06 %	\$ 39,245	40,140
Total bonds payable			203,022	209,041
Notes payable:				
Mortgage Loan (d)	June 2031	4.00	22,429	22,971
Term Loan (e)	May 2018	4.00	2,821	2,956
Note Payable to seller (f)	April 2023	5.00% imputed	2,525	2,860
Other	2018–2024	2.13%–12.00%	7,864	8,934
Capital Lease Obligations (g)	2017–2042	1.67%–11.21%	16,678	14,081
Total notes payable and capital lease obligations			52,317	51,802
Total long-term debt			255,339	260,843
Less deferred financing costs			(5,378)	(5,713)
Long-term debt, net			\$ 249,961	255,130

- (a) **Master Trust Indenture Debt** – On June 26, 2014, tax-exempt and taxable serial and term bonds with an aggregate principal amount of \$148,100, maturing serially over 30 years, were issued on behalf of Touro, TU, TUN, and NYMC (collectively, the Obligated Group) with a net premium of \$5,858 (the MTI Bonds). The College has granted mortgages on various properties with an aggregate net book value of \$158,601 and \$158,161 at June 30, 2017 and 2016, respectively. In addition, pursuant to a Master Trust Indenture by and among the Obligated Group and the Bank of New York Mellon as Master Trustee, a security interest is pledged for substantially all revenues of the Obligated Group, excluding donations restricted by the donors for uses other than debt service, (provided that this revenue pledge for Touro is limited to its healthcare related programs). Deposits with bond trustee (note 9) represents additional collateral until utilized for their designated purpose. The members of the Obligated Group are jointly and severally liable for the bond obligations described herein.
- (b) **DASNY Law Center Bonds** – On December 18, 2013, 30-year tax-exempt bonds with a principal amount of \$19,520 (Series 2013A) and 7-year federally taxable bonds with a principal amount of \$1,875 (Series 2013B) were issued by DASNY on behalf of Touro (together the Bonds). The tax-exempt bonds bear interest at a swap-adjusted 3.68% through December 2023 with variable rates, thereafter, through maturity in 2038, and the taxable bonds bear interest at a swap-adjusted 3.79% and mature through December 2020. The interest rate swaps were priced at a fixed rate based on an amortization schedule directly associated to debt with the same maturity. The aggregate liability under interest rate swaps, which is measured at fair value was \$728 and \$1,730 as of June 30, 2017 and 2016, respectively. The Bonds are secured by the land and building of Touro’s Jacob D. Fuchsberg Law Center (the Law Center) with a net book value of \$29,949 and \$30,905 as of June 30, 2017 and 2016, respectively. In addition, a security interest is pledged for substantially all revenues of the Law Center.

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

- (c) **DASNY Revenue Bonds** – On October 22, 2014, 30-year tax-exempt bonds with a principal amount of \$41,475 were issued by DASNY on behalf of Touro (DASNY 2014 Bonds). The initial interest rate of 3.06% is fixed for 10 years and will reset every 10 years thereafter. The bonds are secured by a commercial condominium on West 60th Street, Manhattan, land and buildings on 150th Street in Kew Garden Hills, Queens, land and a building on Avenue J, Brooklyn, and land and a building on West 65th Street, Manhattan with an aggregate net book value of \$123,555 and \$124,852 as of June 30, 2017 and 2016, respectively.
- (d) **Mortgage Loan** – The mortgage loan is secured by the land and building of the West 65th Street dormitory with a net book value of \$50,650 and \$51,387 as of June 30, 2017 and 2016, respectively. Interest and principal are payable monthly on a 25-year amortization schedule with a balance of \$13,000 due at maturity in 2031. The interest rate decreased from 4.75% to 4.00% at June 1, 2016, is fixed at 4.00% until June 2021 and resets every five years thereafter.
- (e) **Term Loan** – The loan is secured by the same collateral as the Line (note 11) and requires a monthly fixed principal payment of \$11 and interest on the declining balance with a balance of \$2,708 due at maturity in 2018. The loan is renewable for an additional five years thereafter.
- (f) **Note Payable to Seller** – In connection with the acquisition of an office building at 19 Skyline Drive, Hawthorne, New York, the seller of the property provided a \$5,000 interest free 10-year note (\$2,917 and \$3,375 at June 30, 2017 and 2016, respectively) which was discounted to net present value. The note is secured by a guarantee of Touro and a letter of credit which is secured by a portion of NYMC's investment portfolio. The note requires monthly installments of \$42.
- (g) **Capital Lease Obligations** – Certain equipment, software, leasehold improvements and a leasehold interest are leased under noncancelable capital leases, payable monthly. Equipment, computer software, leasehold improvements and the leasehold interest subject to capital lease obligations were \$18,183 and \$14,240 net of accumulated depreciation and amortization of \$3,313 and \$2,187 as of June 30, 2017 and 2016, respectively.

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

Future scheduled payments of long-term debt as of June 30, 2017 (assuming, with respect to variable rate debt, interest at rates in effect as of June 30, 2017) are as follows:

Year:	<u>Bonds and notes principal</u>	<u>Capital leases principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,970	4,012	11,320	25,302
2019	6,954	3,696	10,837	21,487
2020	8,421	2,224	10,438	21,083
2021	7,239	1,100	10,070	18,409
2022	9,913	274	9,712	19,899
Thereafter	<u>190,323</u>	<u>5,372</u>	<u>107,400</u>	<u>303,095</u>
Total	<u>\$ 232,820</u>	<u>16,678</u>	<u>159,777</u>	<u>409,275</u>

Certain debt of the College is subject to covenants, which impose restrictions and filing requirements. As of June 30, 2017 and 2016, the College was in compliance with these covenants.

**(13) Other Liabilities**

Other liabilities consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Deferred rent obligation	\$ 390	940
Deposits on assets held for sale	42	22
Miscellaneous	<u>5,251</u>	<u>3,025</u>
Total	<u>\$ 5,683</u>	<u>3,987</u>

*Deferred Rent Obligation*

In March 2011, the College entered into a sale and leaseback transaction for its women's dormitory on West 85th Street, Manhattan pursuant to which the College entered into an agreement of lease for the dormitory portions of the property and had the option to repurchase the entire property, including the retail space at the end of seven years (March 2018) for the greater of \$16,700, or 95%, of the fair market value of the property. In March 2011, the College deferred a gain on the sale of \$8,942, and between March 2011 and June 2016 increased the deferral by \$2,702, representing a charge to interest expenses of \$6,006 less rent expense of \$3,304 paid under this lease, to increase the deferral towards the option price. In June 2016, the College terminated its option to repurchase the entire property and accordingly recognized a net gain on the sale of the property of \$10,591. As of June 30, 2017 and 2016, deferred rent obligation consists of \$390 and \$940, respectively, representing the future rental expense through the expiration of the lease in March 2018.

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

**(14) Retirement Plans**

The College has defined contribution retirement plans that cover substantially all of its nonunion employees, which are funded through direct payments to qualified carriers. Employer contributions consist of both discretionary and matching amounts. For the years ended June 30, 2017 and 2016, the College contributed \$8,841 and \$8,934, respectively, to its defined contribution retirement plans.

In addition, \$443 and \$451 was contributed in the years ended June 30, 2017 and 2016, respectively, to a union administered plan for employees of NYMC belonging to a collective bargaining unit. The College would be responsible for any withdrawal liability under the agreement with the union.

The College's participation in the union administered plan is outlined below. Unless otherwise noted, the Pension Protection Act (PPA) zone status below is for the plan years beginning January 1, 2016, 2015, and 2014, respectively. The zone status is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plan is subject.

<u>Pension fund</u>	<u>EIN/pension plan number</u>	<u>PPA zone status</u>	<u>FIP/RP status pending/implemented</u>	<u>Surcharge imposed</u>	<u>Expiration date of collective-bargaining agreement</u>
1199 SEIU Health Care Employee Fund	13-3604862/001	Green	*RP Implemented	No	September 30, 2018

\* The 1199 Health Care Employee Pension Fund has implemented a rehabilitation plan for the period January 1, 2012 through December 31, 2024.

**(15) Postretirement Benefits Other than Pensions**

The College provides medical and life insurance benefits under its Postretirement Life and Health Insurance Plan for Eligible Employees at NYMC (the Plan). The College's obligation is limited and requires participants to contribute to premiums as determined by the Plan's administrator. The College reserves the right to amend or terminate the Plan at its discretion. These benefits are partially funded through a voluntary employees' beneficiary association (VEBA) trust.

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act allows employers who offer actuarially equivalent prescription drug benefits to retirees to receive a federal subsidy starting in 2006. Actuarial equivalence of the program's prescription drug benefit is determined based on a two-prong test. The actuarial values of the prescription drug coverage are based on national statistics and then adjusted to reflect drug utilization for the Plan.

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

Based on these values, it is assumed that the prescription drug benefit for the unfunded plan will be actuarially equivalent in 2006 and for all years thereafter.

For those employees who had already retired at the time the VEBA was established, the College pays actual benefits from its general assets. For subsequent retirees, the College's funding policy is to contribute an amount up to the annual expense in years when the Present Value of Future Benefits (PVFB) exceeds assets. Since assets are less than PVFB, the College may elect to make a contribution in fiscal year 2017.

Under the accounting guidance for postretirement benefits, the College recognizes on the consolidated statements of financial position the difference between the benefit obligations and any related plan assets. In addition, the accounting guidance requires the unrecognized amount (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes in unrestricted net assets and that these amounts be adjusted as they are subsequently recognized as components of the net periodic benefit cost.

The following tables provide a reconciliation of the changes in the Plan's benefit obligations and fair value of assets for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 8,408	7,729
Service cost	63	52
Interest cost	287	330
Plan participants' contributions	694	745
Actuarial loss	486	895
Benefits paid	(1,599)	(1,651)
Medicare Part D program reimbursement	387	308
	<u>8,726</u>	<u>8,408</u>
Benefit obligation at end of year		
Change in plan assets:		
Fair value of plan assets at beginning of year	3,737	4,119
Actual return on plan assets	377	(82)
Employer contributions	271	298
Plan participants' contributions	694	745
Benefits paid	(1,599)	(1,651)
Medicare Part D program reimbursement	387	308
	<u>3,867</u>	<u>3,737</u>
Fair value of plan assets at end of year		
Unfunded status at June 30 (included in accrued payroll and related benefits payable)	\$ <u>4,859</u>	<u>4,671</u>

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

	<u>2017</u>	<u>2016</u>
Components of net periodic benefit cost (credit):		
Service cost	\$ 63	52
Interest cost	287	330
Expected return on plan assets	(276)	(330)
Amortization of prior service credit	(301)	(301)
Amortization of net actuarial loss	229	87
	<u>2</u>	<u>(162)</u>
	<u>2017</u>	<u>2016</u>
Postretirement-related changes other than net periodic benefit cost:		
Amortization of prior service credit	\$ 301	301
Amortization of net actuarial loss	(229)	(87)
Net loss	385	1,307
	<u>457</u>	<u>1,521</u>
Amounts not yet recognized in net periodic benefit cost:		
Net actuarial loss	\$ 1,977	1,821
Prior service credit	(252)	(553)
	<u>1,725</u>	<u>1,268</u>
	<u>2017</u>	<u>2016</u>
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate – funded portion	4.00 %	3.75 %
Discount rate – unfunded portion	3.25	2.75
Rate of compensation increase	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30:		
Discount rate – funded portion	3.75 %	4.75 %
Discount rate – unfunded portion	2.75	3.50
Healthcare cost trend:		
Increase from current to next fiscal year	8.00 %	7.00 %
Ultimate rate of increase	4.50	4.45
Year that the ultimate rate is attained	2032	2022

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

The healthcare cost trend assumption has a significant effect on the amounts reported. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects as of and for the year ended June 30, 2017 and 2016:

	2017		2016	
	<u>One-percent-point increase</u>	<u>One-percent-point decrease</u>	<u>One-percent-point increase</u>	<u>One-percent-point decrease</u>
Effect on total service and interest cost component	\$ 28	(23)	31	(26)
Effect on postretirement benefit obligation	718	(604)	693	(581)

The College is expected to contribute \$600 to the plan in 2018.

The estimated actuarial net loss and prior service credit that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2018 is as follows:

Net actuarial loss	\$ 228
Prior service credit	<u>(206)</u>
	<u>\$ 22</u>

Expected benefit payments are the total amount expected to be paid from the Plan's or NYMC's assets. The expected benefit payments, net of plan participant contributions, are as follows:

Fiscal year(s):	<u>Estimated benefits payments</u>
2018	\$ 567
2019	571
2020	571
2021	568
2022	558
2023–2026	2,668

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

The investment policy statement of NYMC, established by its Board of Trustees, has as its investment objective, the long-term appreciation of assets, and the consistency of total portfolio returns with reasonable efforts to control risk and preserve capital. The policy establishes a goal of an annual return of eight percent. The Plan's target and actual asset allocations as of June 30, 2017 and 2016 are as follows:

<u>Plan assets</u>	<u>Target allocation</u>	<u>Percentage of plan assets</u>	
		<u>2017</u>	<u>2016</u>
Asset category:			
Equity securities	61.0 %	72.3 %	73.9 %
Debt securities	31.0	24.5	22.2
Other	8.0	3.2	3.9

The Plan's investments at fair value, all of which are considered Level 1, at June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 263	144
Alternative investments:		
Equity and fixed income funds:		
Global equity	1,907	1,907
Global fixed income	912	830
Hedge fund strategies:		
Diversifying funds	535	642
Commodities	—	50
Real estate investment trusts	87	103
Public natural resources	163	61
Total assets	<u>\$ 3,867</u>	<u>3,737</u>

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

**(16) Functional Reporting of Expenses**

The costs of the College's activities have been presented on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the activities benefited as follows:

	<b>2017</b>				
	<u>Operations and maintenance</u>	<u>Depreciation</u>	<u>Interest expense</u>	<u>Direct expenses</u>	<u>Total per statement of activities</u>
Instruction and research	\$ 27,970	13,163	5,548	182,789	229,470
Academic support	9,674	3,812	1,249	63,091	77,826
Affiliation contracts and faculty practice	—	—	—	25,435	25,435
Student services	6,389	2,903	2,478	38,272	50,042
Institutional support	10,185	6,232	1,438	67,201	85,056
Auxiliary enterprises	1,462	1,164	270	12,596	15,492
	<u>\$ 55,680</u>	<u>27,274</u>	<u>10,983</u>	<u>389,384</u>	<u>483,321</u>

	<b>2016</b>				
	<u>Operations and maintenance</u>	<u>Depreciation</u>	<u>Interest expense</u>	<u>Direct expenses</u>	<u>Total per statement of activities</u>
Instruction and research	\$ 26,992	13,781	5,139	179,263	225,175
Academic support	9,125	3,363	1,022	65,534	79,044
Affiliation contracts and faculty practice	—	—	—	29,192	29,192
Student services	5,915	2,300	2,375	38,445	49,035
Institutional support	11,144	4,879	1,508	69,401	86,932
Auxiliary enterprises	841	1,965	3,480	8,879	15,165
	<u>\$ 54,017</u>	<u>26,288</u>	<u>13,524</u>	<u>390,714</u>	<u>484,543</u>

**(17) Related-Party Transactions**

A member of the Board of Trustees loaned HTC \$466 prior to HTC becoming an affiliate of the College. Such interest-free loan was outstanding as of June 30, 2017 and 2016. The trustee made an additional interest free loan of \$150 during 2017 that was repaid during 2017.

Other related-party transactions are disclosed within the notes to the consolidated financial statements.

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

**(18) Commitments and Contingencies**

**(a) Operating Leases**

Certain facilities are leased under noncancelable operating leases, which expire at various dates through 2024, some with options to extend. In addition to the minimum annual rental, certain leases require the payment of additional rent based upon escalations, the pass-through of real estate taxes and other costs and increases in operating expenses.

Future commitments under noncancelable operating leases as of June 30, 2017 are as follows:

	<b>Facilities</b>	<b>Vehicles and equipment</b>	<b>Total</b>
Year:			
2018	\$ 23,555	342	23,897
2019	9,168	182	9,350
2020	8,400	139	8,539
2021	6,971	65	7,036
2022	6,916	23	6,939
Thereafter	18,384	—	18,384
	\$ 73,394	751	74,145

Rent expense including escalations and other operating costs was \$24,064 and \$23,142, respectively, in 2017 and 2016.

**(b) Litigation**

The College is a party to various legal actions and claims arising in the ordinary course of operations. While it is not feasible to predict the ultimate outcome of such matters, management is of the opinion that the resolution of such matters will not have a material adverse effect on the College's consolidated financial position or changes in net assets.

**(c) Regulatory Audits**

Amounts received and expended under various federal and state programs are subject to audit by governmental agencies. The US Department of Education (ED) is conducting a program review of HTC for the period prior to 2016 for which a final report has not been issued. In the opinion of management, financial impact from such audits, if any, will not have a material adverse effect on the consolidated financial position of the College.

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(Dollars in thousands)

ED denied Title IV funding to HTC for the year ended June 30, 2016. Title IV was restored during 2017 except for students then studying abroad. Title IV was restored in fiscal 2018 for all eligible students.

#### **(19) Subsequent Events**

The College performed an evaluation of subsequent events that occurred after June 30, 2017 through October 30, 2017, the date the consolidated financial statements were issued. Events identified that are required to be disclosed are as follows:

- (a)** On August 22, 2017, YOC completed the sale of its Monsey, New York high school campus for \$4,600. In connection with the closing, YOC satisfied the first mortgage of \$726 and received a one-year promissory note of \$1,000 and cash proceeds of \$2,455 in addition to \$400 previously received.
- (b)** On October 27, 2017, the College closed on the sale of its student residence at 10 West 65<sup>th</sup> Street in New York City for \$79,000. Cash proceeds were approximately \$56,000 after closing costs and satisfaction of a first mortgage (note 12(d)).
- (c)** On September 20, 2017, the College entered into a contract to purchase the core and shell of a commercial condominium of approximately 68,000 square feet for \$62,500. A deposit of \$6,250 was placed in escrow and closing is anticipated to take place on December 28, 2017 or within 34 days thereafter. The College expects to spend an additional \$11,000 finishing this facility which will replace the student housing at 10 West 65<sup>th</sup> Street and a second leased facility at 175 West 85<sup>th</sup> Street whose lease is expiring in March 2018.

## TOURO COLLEGE AND RELATED ENTITIES

## Schedule of Consolidating Information – Statement of Financial Position

June 30, 2017

(Dollars in thousands)

Assets	Master Trust Indenture (MTI)							Yeshiva operations	Hebrew Theological College	Adjustments and eliminations	Consolidated
	Touro College excluding MTI and Law	Law	Touro College MTI components	Touro University	Touro University Nevada	NYMC	Total MTI				
Cash and cash equivalents	\$ 8,042	398	752	1,027	2,079	11,355	15,213	590	259	—	24,502
Receivables:											
Student tuition and fees, net	2,242	68	1,792	2,406	847	449	5,494	53	1,243	—	9,100
Student loans, net	3,485	66	26	24	131	9,609	9,790	—	—	—	13,341
Other, net	11,237	2,365	8,644	2,065	2,814	14,134	27,657	861	803	(794)	42,129
Due (to) from affiliates	(65,548)	(1,721)	51,874	20,039	19,629	162	91,704	(24,428)	(7)	—	—
Investments	78,244	4,010	—	9,719	—	73,493	83,212	116	798	(60,081)	106,299
Property and equipment, net	150,790	33,387	53,526	27,358	38,994	177,715	297,593	37,177	5,109	7,399	531,455
Deposits with bond trustee	267	—	1,200	1,834	4,909	18,642	26,585	—	—	—	26,852
Other assets	4,832	179	1,049	550	671	11,776	14,046	5,397	24	642	25,120
Beneficial interest in perpetual trusts	—	—	—	—	—	12,081	12,081	—	—	—	12,081
<b>Total assets</b>	<b>\$ 193,591</b>	<b>38,752</b>	<b>118,863</b>	<b>65,022</b>	<b>70,074</b>	<b>329,416</b>	<b>583,375</b>	<b>19,766</b>	<b>8,229</b>	<b>(52,834)</b>	<b>790,879</b>
<b>Liabilities and Net Assets</b>											
Liabilities:											
Accounts and accrued expenses payable	\$ 7,459	968	2,389	4,668	2,846	15,442	25,345	237	911	—	34,920
Accrued payroll and related benefits payable	15,344	518	2,345	4,163	2,968	11,458	20,934	1,510	121	—	38,427
Deferred revenue	560	549	22,318	5,927	14,398	14,322	56,965	6	3	—	58,083
Lines of credit and short-term debt	11,000	—	—	—	—	19,500	19,500	—	—	—	30,500
Long-term debt, net	70,438	19,874	23,123	16,731	34,729	81,531	156,114	938	3,391	(794)	249,961
Refundable federal student loans	1,118	—	—	—	—	8,160	8,160	—	—	—	9,278
Other liabilities	1,857	—	357	121	343	2,442	3,263	499	64	—	5,683
<b>Total liabilities</b>	<b>107,776</b>	<b>21,909</b>	<b>50,532</b>	<b>31,610</b>	<b>55,284</b>	<b>152,855</b>	<b>290,281</b>	<b>3,190</b>	<b>4,490</b>	<b>(794)</b>	<b>426,852</b>
Net assets:											
Unrestricted	81,511	9,243	66,811	33,081	12,661	116,390	228,943	15,579	3,426	(52,040)	286,662
Temporarily restricted	2,860	4,658	1,520	331	2,129	20,711	24,691	997	182	—	33,388
Permanently restricted	1,444	2,942	—	—	—	39,460	39,460	—	131	—	43,977
<b>Total net assets</b>	<b>85,815</b>	<b>16,843</b>	<b>68,331</b>	<b>33,412</b>	<b>14,790</b>	<b>176,561</b>	<b>293,094</b>	<b>16,576</b>	<b>3,739</b>	<b>(52,040)</b>	<b>364,027</b>
<b>Total liabilities and net assets</b>	<b>\$ 193,591</b>	<b>38,752</b>	<b>118,863</b>	<b>65,022</b>	<b>70,074</b>	<b>329,416</b>	<b>583,375</b>	<b>19,766</b>	<b>8,229</b>	<b>(52,834)</b>	<b>790,879</b>

See accompanying independent auditors' report.

## TOURO COLLEGE AND RELATED ENTITIES

## Schedule of Consolidating Information – Statement of Financial Position

June 30, 2016

(Dollars in thousands)

Assets	Master Trust Indenture (MTI)										
	Touro College excluding MTI and Law	Law	Touro College MTI components	Touro University	Touro University Nevada	NYMC	Total MTI	Yeshiva operations	Hebrew Theological College	Adjustments and eliminations	Consolidated
Cash and cash equivalents	\$ 6,741	432	1,068	949	4,110	9,637	15,764	409	29	—	23,375
Receivables:											
Student tuition and fees, net	1,415	5	1,360	4,428	230	633	6,651	82	815	—	8,968
Student loans, net	3,446	48	44	63	118	10,292	10,517	—	599	—	14,610
Other, net	7,349	1,987	3,919	1,485	667	18,334	24,405	1,427	851	(300)	35,719
Due (to) from affiliates	(40,599)	(3,104)	33,135	18,544	15,252	(70)	66,861	(23,158)	—	—	—
Investments	76,131	3,668	—	9,405	—	70,723	80,128	101	529	(60,081)	100,476
Property and equipment, net	153,503	34,859	51,103	27,307	38,703	175,666	292,779	36,557	4,799	7,399	529,896
Deposits with bond trustee	260	—	1,070	1,837	4,913	24,248	32,068	—	—	—	32,328
Other assets	4,694	107	1,147	294	554	11,598	13,593	4,510	362	725	23,991
Beneficial interest in perpetual trusts	—	—	—	—	—	11,007	11,007	—	—	—	11,007
<b>Total assets</b>	<b>\$ 212,940</b>	<b>38,002</b>	<b>92,846</b>	<b>64,312</b>	<b>64,547</b>	<b>332,068</b>	<b>553,773</b>	<b>19,928</b>	<b>7,984</b>	<b>(52,257)</b>	<b>780,370</b>
<b>Liabilities and Net Assets</b>											
Liabilities:											
Accounts and accrued expenses payable	\$ 6,766	1,099	2,471	3,846	3,986	16,459	26,762	692	518	—	35,837
Accrued payroll and related benefits payable	13,626	716	1,814	4,017	2,596	12,332	20,759	595	96	—	35,792
Deferred revenue	6,364	278	16,133	7,170	8,346	12,420	44,069	—	457	—	51,168
Lines of credit and short-term debt	14,000	—	—	—	—	20,750	20,750	—	—	—	34,750
Long-term debt, net	71,761	21,398	21,686	17,292	35,322	83,217	157,517	1,656	3,098	(300)	255,130
Refundable federal student loans	1,118	—	—	—	—	9,716	9,716	—	—	—	10,834
Other liabilities	947	—	—	33	—	2,813	2,846	115	79	—	3,987
<b>Total liabilities</b>	<b>114,582</b>	<b>23,491</b>	<b>42,104</b>	<b>32,358</b>	<b>50,250</b>	<b>157,707</b>	<b>282,419</b>	<b>3,058</b>	<b>4,248</b>	<b>(300)</b>	<b>427,498</b>
Net assets:											
Unrestricted	92,107	7,716	49,881	31,674	13,593	118,114	213,262	15,960	3,532	(51,957)	280,620
Temporarily restricted	4,807	3,870	861	280	704	19,024	20,869	910	73	—	30,529
Permanently restricted	1,444	2,925	—	—	—	37,223	37,223	—	131	—	41,723
<b>Total net assets</b>	<b>98,358</b>	<b>14,511</b>	<b>50,742</b>	<b>31,954</b>	<b>14,297</b>	<b>174,361</b>	<b>271,354</b>	<b>16,870</b>	<b>3,736</b>	<b>(51,957)</b>	<b>352,872</b>
<b>Total liabilities and net assets</b>	<b>\$ 212,940</b>	<b>38,002</b>	<b>92,846</b>	<b>64,312</b>	<b>64,547</b>	<b>332,068</b>	<b>553,773</b>	<b>19,928</b>	<b>7,984</b>	<b>(52,257)</b>	<b>780,370</b>

See accompanying independent auditors' report.

## TOURO COLLEGE AND RELATED ENTITIES

Schedule of Consolidating Information – Statement of Activities

Year ended June 30, 2017

(Dollars in thousands)

	Master Trust Indenture (MTI)						Total MTI	Yeshiva operations	Hebrew Theological College	Eliminations	Consolidated
	Touro College excluding MTI and Law	Law	Touro College MTI components	Touro University	Touro University Nevada	NYMC					
Operating revenue:											
Tuition and fees, net of allowance	\$ 119,724	21,396	108,215	73,595	45,346	60,141	287,297	1,720	4,611	—	434,748
Less scholarships and grants	(21,821)	(5,810)	(1,063)	(6,836)	(204)	(4,471)	(12,574)	(7)	(2,444)	—	(42,656)
Net tuition and fees	97,903	15,586	107,152	66,759	45,142	55,670	274,723	1,713	2,167	—	392,092
Affiliation contracts and faculty practice	—	—	—	—	—	27,200	27,200	—	—	—	27,200
Government grants for research and sponsored projects	2,703	1,442	1,234	2,802	767	20,271	25,074	279	—	—	29,498
Contributions and private grants	842	1,186	945	543	2,440	4,078	8,006	367	3,270	(715)	12,956
Investment return	578	896	114	498	245	3,131	3,988	16	52	—	5,530
Auxiliary enterprises	3,318	—	343	818	2,626	4,918	8,705	741	1,477	—	14,241
Other	1,812	137	196	79	962	6,468	7,705	400	126	(3,029)	7,151
Total operating revenue	107,156	19,247	109,984	71,499	52,182	121,736	355,401	3,516	7,092	(3,744)	488,668
Operating expenses:											
Instruction and research	62,766	9,503	43,355	35,122	17,412	52,478	148,367	4,794	4,040	—	229,470
Academic support	26,816	3,978	24,986	5,645	5,831	8,968	45,430	1,142	460	—	77,826
Affiliation contracts and faculty practice	—	—	—	—	—	25,435	25,435	—	—	—	25,435
Student services	20,041	2,432	4,938	6,918	6,136	8,894	26,886	493	190	—	50,042
Institutional support	42,529	1,315	2,663	6,867	8,276	25,092	42,898	38	1,937	(3,661)	85,056
Institutional support – Touro College	(33,131)	—	15,746	9,991	7,394	—	33,131	—	—	—	—
Auxiliary enterprises	3,344	1,361	707	3,382	3,276	2,540	9,905	420	462	—	15,492
Total operating expenses	122,365	18,589	92,395	67,925	48,325	123,407	332,052	6,887	7,089	(3,661)	483,321
Change in net assets from operating activities	(15,209)	658	17,589	3,574	3,857	(1,671)	23,349	(3,371)	3	(83)	5,347
Nonoperating activities:											
Forgiveness of intercompany receivables	2,403	—	—	(2,116)	(3,364)	—	(5,480)	3,077	—	—	—
Postretirement-related changes other than net periodic benefit cost	—	—	—	—	—	(457)	(457)	—	—	—	(457)
Investment return in excess of amount appropriated for operations	263	672	—	—	—	3,454	3,454	—	—	—	4,389
Change in fair value of interest rate swaps	—	1,002	—	—	—	—	—	—	—	—	1,002
Change fair value of beneficial interest in perpetual trusts	—	—	—	—	—	1,074	1,074	—	—	—	1,074
Other	—	—	—	—	—	(200)	(200)	—	—	—	(200)
Change in net assets	(12,543)	2,332	17,589	1,458	493	2,200	21,740	(294)	3	(83)	11,155
Net assets, beginning of year	98,358	14,511	50,742	31,954	14,297	174,361	271,354	16,870	3,736	(51,957)	352,872
Net assets, end of year	\$ 85,815	16,843	68,331	33,412	14,790	176,561	293,094	16,576	3,739	(52,040)	364,027

See accompanying independent auditors' report.

## TOURO COLLEGE AND RELATED ENTITIES

Schedule of Consolidating Information – Statement of Activities

Year ended June 30, 2016

(Dollars in thousands)

	Master Trust Indenture (MTI)										
	Touro College excluding MTI and Law	Law	Touro College MTI components	Touro University	Touro University Nevada	NYMC	Total MTI	Yeshiva operations	Hebrew Theological College	Eliminations	Consolidated
Operating revenue:											
Tuition and fees, net of allowance	\$ 121,160	22,893	90,599	68,085	44,702	58,327	261,713	1,674	6,777	—	414,217
Less scholarships and grants	(22,592)	(6,044)	(742)	(3,685)	(111)	(3,447)	(7,985)	(11)	(2,581)	—	(39,213)
Net tuition and fees	98,568	16,849	89,857	64,400	44,591	54,880	253,728	1,663	4,196	—	375,004
Affiliation contracts and faculty practice	—	—	—	—	—	31,142	31,142	—	—	—	31,142
Government grants for research and sponsored projects	2,357	1,150	587	1,962	507	18,276	21,332	304	—	—	25,143
Contributions and private grants	1,496	2,610	2,616	401	538	3,401	6,956	1,319	1,447	(2,829)	10,999
Investment return	72	372	(8)	48	59	4,060	4,159	4	83	—	4,690
Auxiliary enterprises	2,675	—	291	1,210	1,748	5,023	8,272	715	1,558	—	13,220
Other	725	179	232	161	891	5,612	6,896	629	100	(1,657)	6,872
Total operating revenue	105,893	21,160	93,575	68,182	48,334	122,394	332,485	4,634	7,384	(4,486)	467,070
Operating expenses:											
Instruction and research	67,834	10,331	37,259	30,580	16,287	52,324	136,450	5,438	5,122	—	225,175
Academic support	25,975	5,091	21,078	10,232	5,809	9,601	46,720	1,258	—	—	79,044
Affiliation contracts and faculty practice	—	—	—	—	—	29,192	29,192	—	—	—	29,192
Student services	19,730	2,746	5,465	6,928	5,663	7,873	25,929	630	—	—	49,035
Institutional support	45,720	1,686	2,195	5,556	8,547	25,975	42,273	72	1,667	(4,486)	86,932
Institutional support – Touro College	(29,057)	—	12,442	9,674	6,941	—	29,057	—	—	—	—
Auxiliary enterprises	4,306	1,336	574	1,825	3,144	3,034	8,577	412	534	—	15,165
Total operating expenses	134,508	21,190	79,013	64,795	46,391	127,999	318,198	7,810	7,323	(4,486)	484,543
Change in net assets from operating activities	(28,615)	(30)	14,562	3,387	1,943	(5,605)	14,287	(3,176)	61	—	(17,473)
Gain on sale	10,591	—	—	—	—	—	—	—	—	—	10,591
Change in net assets from operating activities, after gain on sale	(18,024)	(30)	14,562	3,387	1,943	(5,605)	14,287	(3,176)	61	—	(6,882)
Nonoperating activities:											
Forgiveness of intercompany receivables	6,220	—	—	(4,550)	(6,925)	—	(11,475)	5,255	—	—	—
Postretirement-related changes other than net periodic benefit cost	—	—	—	—	—	(1,521)	(1,521)	—	—	—	(1,521)
Investment return less than amount appropriated for operations	(414)	(876)	—	—	—	(5,439)	(5,439)	—	—	—	(6,729)
Change in fair value of interest rate swaps	—	(864)	—	—	—	—	—	—	—	—	(864)
Change fair value of beneficial interest in perpetual trusts	—	—	—	—	—	(1,115)	(1,115)	—	—	—	(1,115)
Other	—	—	—	—	—	(500)	(500)	—	—	—	(500)
Change in net assets	(12,218)	(1,770)	14,562	(1,163)	(4,982)	(14,180)	(5,763)	2,079	61	—	(17,611)
Net assets, beginning of year	110,576	16,281	36,180	33,117	19,279	188,541	277,117	14,791	3,675	(51,957)	370,483
Net assets, end of year	\$ 98,358	14,511	50,742	31,954	14,297	174,361	271,354	16,870	3,736	(51,957)	352,872

See accompanying independent auditors' report.

## TOURO COLLEGE AND RELATED ENTITIES

## Schedule of Master Trust Indenture Combined Statement of Activities

Years ended June 30, 2017 and 2016

(Dollars in thousands)

	2017				2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue:								
Tuition and fees, net of allowance	\$ 287,297	—	—	287,297	261,713	—	—	261,713
Less scholarships and grants	(12,574)	—	—	(12,574)	(7,985)	—	—	(7,985)
Net tuition and fees	274,723	—	—	274,723	253,728	—	—	253,728
Affiliation contracts and faculty practice	27,200	—	—	27,200	31,142	—	—	31,142
Government grants for research and sponsored projects	25,074	—	—	25,074	21,332	—	—	21,332
Contributions and private grants	4,142	2,782	1,082	8,006	5,819	648	489	6,956
Investment return	3,722	266	—	3,988	4,195	(36)	—	4,159
Auxiliary enterprises	8,705	—	—	8,705	8,272	—	—	8,272
Other	7,604	—	101	7,705	6,815	—	81	6,896
Net assets released from restrictions	563	(563)	—	—	105	(105)	—	—
Total operating revenue	351,733	2,485	1,183	355,401	331,408	507	570	332,485
Operating expenses:								
Instruction and research	148,367	—	—	148,367	136,450	—	—	136,450
Academic support	45,430	—	—	45,430	46,720	—	—	46,720
Affiliation contracts and faculty practice	25,435	—	—	25,435	29,192	—	—	29,192
Student services	26,886	—	—	26,886	25,929	—	—	25,929
Institutional support	42,898	—	—	42,898	42,273	—	—	42,273
Institutional support – Touro College	33,131	—	—	33,131	29,057	—	—	29,057
Auxiliary enterprises	9,905	—	—	9,905	8,577	—	—	8,577
Total operating expenses	332,052	—	—	332,052	318,198	—	—	318,198
Change in net assets from operating activities	19,681	2,485	1,183	23,349	13,210	507	570	14,287
Nonoperating activities:								
Forgiveness of intercompany receivables	(5,480)	—	—	(5,480)	(11,475)	—	—	(11,475)
Postretirement-related changes other than net periodic benefit cost	(457)	—	—	(457)	(1,521)	—	—	(1,521)
Investment return greater (less) than amount appropriated for operations	2,137	1,337	(20)	3,454	(3,170)	(2,282)	13	(5,439)
Change in fair value of beneficial interest in perpetual trusts	—	—	1,074	1,074	—	—	(1,115)	(1,115)
Other	(200)	—	—	(200)	(1,202)	—	702	(500)
Change in net assets	15,681	3,822	2,237	21,740	(4,158)	(1,775)	170	(5,763)
Net assets, beginning of year	213,262	20,869	37,223	271,354	217,420	22,644	37,053	277,117
Net assets, end of year	\$ 228,943	24,691	39,460	293,094	213,262	20,869	37,223	271,354

See accompanying independent auditors' report.

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**APPENDIX C**

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

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in **Appendix A**.

#### **Construction of Projects**

The Institution has agreed that, whether or not there are sufficient moneys available to it under the provisions of the Resolution, the Series 2017 Resolution and under its Loan Agreement, said Institution shall complete the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of each of its Projects, substantially in accordance with the Contract Documents related thereto. Nothing in the Loan Agreement shall be construed to require such Institution to complete the acquisition, design, construction, rehabilitation and improving or otherwise providing, furnishing and equipping of such Project if prior to completion thereof (i) such Project or any portion thereof shall have been taken by eminent domain or condemnation or shall have been damaged or destroyed, (ii) such Project or portion thereof is not to be repaired, replaced or restored, and (iii) the proceeds of any condemnation award or insurance policy resulting from such taking, damage or destruction shall have been paid to the Trustee as required by the provisions of the Loan Agreement summarized herein under the caption "Damage or Condemnation." Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Applicable Construction Fund, cause an Applicable Institution to be reimbursed for, or pay, any costs and expenses incurred by said Institution which constitute Costs of the Project, provided such costs and expenses are approved by an Authorized Officer of the Authority which approval shall not be unreasonably withheld, conditioned or delayed.

Prior to the Authority making and delivering any certificate required pursuant to the Resolution to be delivered to the Trustee in connection with payments to be made pursuant to the Resolution for Costs of the Projects, other than interest on Outstanding Bonds, the Institution (1) shall have submitted to the Authority, and the Authority shall have received and approved, a Project budget which may be amended from time to time with the consent of the Authority, which consent shall not be unreasonably withheld, conditioned or delayed; (2) shall have executed and delivered to the Authority (A) one or more New Mortgages on the New Mortgaged Property, in recordable form, mortgaging the New Mortgaged Property and a Building Loan Agreement, satisfactory to the Authority (which New Mortgages shall have been assigned by the Authority to the Master Trustee), which New Mortgages shall constitute a first lien on the New Mortgaged Property subject only to Permitted Encumbrances, (B) a title policy or policies in connection with the New Mortgages, in form and substance satisfactory to the Authority, and (C) and an opinion of counsel to the Institution, dated the date of delivery of the New Mortgages to the Authority, to the effect that the Institution has full corporate power and authority to execute, deliver and perform its obligations under the New Mortgages and the Building Loan Agreement, that the New Mortgages, upon due recordation thereof, will constitute valid first mortgage liens upon the New Mortgaged Property subject only to Permitted Encumbrances and that Institution has good and marketable title to all such New Mortgaged Property; and (3) any and all required supporting documentation in connection with such certificate.

*(Section 5)*

#### **Amendment of a Project; Cost Increases; Additional Bonds**

An Applicable Project may be amended by the Institution with the prior written consent of an Authorized Officer of the Authority, which consent will not be unreasonably withheld, to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing furnishing and equipping of a Project which the Authority is authorized to undertake.

In the event of any increase in Project costs in excess of the amounts established for such Project in the Applicable Construction Fund, unless otherwise waived by the Authority, the Institution shall provide such moneys or an irrevocable letter of credit or other security in such form as may be reasonably acceptable to the Authority as in the reasonable judgment of the Authority may be required to pay the cost of completing a Project in excess of the

moneys, letter of credit or other security in the Construction Fund established for such Project whether such moneys, letter of credit or other security are required as a result of an increase in the scope of such Project or otherwise. Such moneys, letter of credit or other security shall be paid or made available to the Trustee for deposit in such Construction Fund within thirty (30) days of receipt of notice from the Authority that such moneys or other security are required.

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

*(Section 6)*

### **Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments**

Except to the extent that moneys are available therefor under the Resolution, the Series 2017 Resolution or under the Loan Agreement, including moneys in the Applicable Debt Service Fund, but excluding moneys from the Applicable Debt Service Reserve Fund, and excluding interest accrued but unpaid on investments held in the Applicable Debt Service Fund, the Institution unconditionally agrees to pay or cause to be paid, so long as any Applicable Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it, including payments to be made under the Master Indenture:

(i) On or before the date of delivery of the Applicable Bonds, the payment of the Authority Fee and any other fees due to the Authority as required by the Loan Agreement;

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

(iii) In the case of Variable Interest Rate Bonds, on or before the tenth (10th) day of each month, an amount equal to the interest coming due on the Institution’s Allocable Portion of such Variable Interest Rate Bonds on the next succeeding Interest Payment Date, assuming that such Variable Interest Rate Bonds will, from and after the immediately preceding Interest Payment Date, bear interest at the rate borne by such Variable Interest Rate Bonds on such immediately preceding Interest Payment Date plus one percent (1 %) per annum;

(iv) On the 10th day of each month commencing on the 10th day of the 6th month immediately preceding the date on which interest on the Applicable Bonds becomes due, one-sixth (1/6) of the interest coming due on the Institution’s Allocable Portion of such Bonds, other than Variable Interest Rate Bonds, on the immediately succeeding Interest Payment Date on such Bonds; provided, however that, with respect to such payments if there are less than six (6) such payment dates prior to the first Interest Payment Date on the Bonds of a Series, on each payment date prior to such Interest Payment Date, the Institution shall pay with respect to such Bonds an amount equal to the interest coming due on the Institution’s Allocable Portion of such Bonds on such Interest Payment Date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first Interest Payment Date on such Bonds;

(v) On the 10th day of each month commencing on the 10th day of the twelfth month immediately preceding the January 1 during which the principal or a Sinking Fund Installment of the Applicable Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installments on the Institution’s Allocable Portion of such Bonds coming due on such January 1; provided, however, that, if there are less than twelve (12) such payment dates prior to the January 1 on which principal or Sinking

Fund Installments come due on such Bonds, on each payment date prior to such date, the Institution shall pay with respect to such Bonds an amount equal to the principal and or Sinking Fund Installments the Institution's Allocable Portion of such Bonds coming due on such date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the January 1 of the Bond Year during which such principal or Sinking Fund Installment comes due;

(vi) Unless otherwise subject to the condition that sufficient money is available on the redemption date or the purchase date or unless waived by the Authority, at least forty-five (45) days prior to any date on which the Redemption Price or purchase price in lieu of redemption of Applicable Bonds or Applicable Bonds contracted to be purchased is to be paid, the Institution's Allocable Portion of the amount required to pay the Redemption Price or purchase price in lieu of redemption of such Bonds;

(vii) On December 10 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year as set forth in the Loan Agreement;

(viii) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (A) for the Institution's Allocable Portion of the Authority Fee then unpaid, (B) to reimburse the Authority for payments made pursuant to the penultimate paragraph under this heading and any expenses or liabilities incurred by the Authority as described under the headings "Covenant as to Insurance" and "Taxes and Assessments" below and other provisions of the Loan Agreement relating to indemnity by the Institution, (C) for the Institution's Allocable Portion of the costs and expenses incurred to compel full and punctual performance of all the provisions of the Loan Agreement, any Mortgage, the Resolution, the Applicable Series 2017 Resolution, the Master Indenture and the Applicable Obligation, (D) for the Institution's Allocable Portion of the fees and expenses of the Trustee and any Paying Agent and reasonable attorneys' fees in connection with performance of their duties under the Resolution and the Applicable Series Resolution, and (E) to reimburse the Authority for the Institution's Allocable Portion of any external costs or expenses incurred by the Authority attributable to it.

(ix) 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 Applicable Institution as a result of an acceleration pursuant to its Loan Agreement;

(x) Promptly upon demand by an Authorized Officer of the Authority, the Institution's Allocable Portion of the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Applicable 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 such Bonds;

(xi) On the Business Day immediately preceding an Interest Payment Date, if the amount on deposit in the Applicable Debt Service Fund is less than the amounts required for the payment of principal or Sinking Fund Installments of, or interest on, the Applicable Bonds due and payable on such Interest Payment Date, the Institution's Allocable Portion of the amount of such deficiency; and

(xii) By 5:00 P.M., New York City time, on the day notice thereof is given to the Institution by the Authority or the Trustee, the amount, in immediately available funds, required to pay the Institution's Allocable Portion of the purchase price of Option Bonds (if such Option Bonds are by their terms required to be purchased with monies paid by the Institution) tendered for purchase and not remarketed or remarketed at less than the principal amount thereof and which is not to be paid from moneys to be made available pursuant to a Liquidity Facility; provided, however, that if such notice is given to the Institution by 10:00 A.M., New York City time, then such amount shall be paid, in immediately available funds, by 12:30 P.M., New York City time, on such day; provided, further, that, if such notice is given to the Institution after 3:00 P.M., New York City time, then such amount shall be paid, in immediately available funds, by 10:00 A.M., New York City time, on the next succeeding day.

Should any Bonds bear interest at a rate other than the fixed interest rate, such payments referenced above may be determined pursuant to a separate Bond Series Certificate or Series Resolution, as deemed appropriate by the Authority and the Trustee.

Subject to the provisions of the Resolution, the Series 2017 Resolution, and the Loan Agreement, the Institution shall receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to paragraph (v) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through Sinking Fund Installments on the next succeeding January 1, either (A) the Institution delivers to the Trustee for cancellation one or more Bonds of the Applicable Series and maturity to be so redeemed or (B) the Trustee at the direction of the Authority, has purchased one or more Bonds of the Applicable Series and maturity to be so redeemed from amounts on deposit in the Applicable Debt Service Fund in accordance with the Resolution during such Bond Year on such January 1. The amount of the credit shall be equal to the principal amount of the Applicable Bonds so delivered.

The Authority has directed the Institution, and the Institution has agreed, to make the payments required by paragraphs (iii), (iv), (v), (vi), (ix), and (xi) above directly to the Trustee for deposit and application in accordance with the Resolution, the Series 2017 Resolution and the Applicable Bond Series Certificate, the payments required by paragraph (ii) above directly to the Trustee for deposit in the Applicable Construction Fund or other fund established under the Resolution and the Series 2017 Resolution, as directed by an Authorized Officer of the Authority, the payments required by paragraphs (i), (vii) and (viii) above directly to the Authority, the payments required by paragraph (x) above to or upon the order of the Authority.

The Institution has agreed that it shall also be obligated to make all payments when due on the Applicable Obligation to the applicable holders of the Obligation, and that the applicable holders shall be entitled to so receive all payments when due on such Obligation, it being the intention of the parties hereto that the Applicable Obligation and the Loan Agreement are separate (but not duplicative) obligations of the Institution (and, to the extent provided in the Applicable Obligation, of the Obligated Group), that payments by the Institution (or the Obligated Group) to the Trustee pursuant to the Applicable Obligation shall serve as a credit against amounts due from the Institution to the Authority pursuant to the Loan Agreement with regard to the Applicable Bonds and that payments by the Institution to or upon the order of the Authority pursuant to this Loan Agreement shall serve as a credit against respective amounts due from the Institution (or the Obligated Group) to the Trustee pursuant to the Applicable Obligation.

Notwithstanding any provisions in the Loan Agreement or in the Resolution or the Series 2017 Resolution to the contrary (except as otherwise specifically provided for in provisions described under this heading), all moneys paid by the Institution to the Trustee pursuant to the provisions under this heading or otherwise held by the Trustee shall be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds of an Applicable Series, 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 of such Applicable Series and as a result thereof such Bonds have been paid or deemed to have been paid in accordance with the Resolution. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series 2017 Resolution to the contrary (except as otherwise specifically provided for under this heading), (i) all moneys paid by the Institution to the Trustee pursuant to paragraphs (iii), (iv), (v), (vi) and (x) above (other than moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Applicable Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) above) held by it in the Applicable Construction Fund to the Applicable Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution or the Series 2017 Resolution shall be deemed, upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the Institution's Allocable Portion of the Redemption Price of the Applicable Bonds to the extent of the amount of moneys transferred. 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 the Applicable Series of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of such Applicable Series of Bonds.

The obligations of the Institution to make payments or cause the same to be made under its Loan 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 Institution may otherwise have against the Authority, the Trustee, or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution to complete a Project(s) or the completion thereof with defects, failure of the Institution to occupy or use a Project(s), any declaration or finding that the Applicable Bonds or any Series of Bonds are, or the Resolution or the Applicable Series 204 Resolution is, invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part contained in the Loan Agreement or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institution may institute such action as it may deem necessary to compel performance or recover damages for non-performance or any other remedies available to the Institution at law or in equity. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the Institution for, or to pay, the Costs of the Project(s), beyond the extent of moneys available in the Construction Fund established for such Project(s).

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

The Authority, for the convenience of the Institution, shall furnish to the Institution and the Trustee statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement; provided, however, that the furnishing of such statements shall not release the Trustee from any obligation it may have under the Resolution and the Series 2017 Resolution to provide notice of the non-payment of any amount under the Loan Agreement when due. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided therein. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

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

If an Event of Default has not occurred and is not continuing, the Institution 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 Applicable Debt Service Fund or held by the Trustee for the payment of Applicable Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or upon any deposit in an Applicable Debt Service Fund made as described in the fifth paragraph above, the Authority agrees to direct the Trustee in writing to purchase or redeem Applicable Bonds or portions thereof in accordance with the Resolution or to give the Trustee irrevocable written instructions in accordance with defeasance provisions of the Resolution; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of the Institution's Allocable Portion of all Applicable Bonds Outstanding, or to pay or provide for the payment of the Institution's Allocable Portion of all Applicable Bonds Outstanding in accordance with the defeasance provisions of the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee in writing to purchase or redeem the Institution's Allocable Portion of all Applicable Bonds Outstanding, or to cause the Institution's Allocable Portion of all Applicable Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

*(Section 9)*

## **Debt Service Reserve Fund**

The Institution agrees that it will at all times provide funds to the Trustee sufficient to maintain on deposit in the Applicable Debt Service Reserve Fund an amount at least equal to the Institution's Allocable Portion of the Applicable Debt Service Reserve Fund Requirement; provided, however, that the Institution shall be required to deliver moneys, Government Obligations or Exempt Obligations or other Securities to the Trustee for deposit in the Applicable Debt Service Reserve Fund as a result of a deficiency in such fund only upon receipt of the notice required by the Resolution.

The Institution may deliver to the Trustee for deposit to the Applicable Debt Service Reserve Fund, a Reserve Fund Facility for all or any part of the Institution's Allocable Portion of the Applicable Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution. The delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities from time to time made by the Institution shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the Institution's obligations under its Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The Institution 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 of the Applicable Series, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution and the Series 2017 Resolution.

All Government Obligations, Exempt Obligations or other Securities deposited with the Trustee pursuant to the Loan Agreement as described under this heading for deposit to a Debt Service 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 Institution has appointed the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

The Institution 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 Institution shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations, Exempt Obligations or other Securities delivered by the Institution (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition of such Government Obligations, Exempt Obligations or other Securities as contemplated by the Loan Agreement or by the Resolution or the Series 2017 Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

*(Section 10)*

## **Consent to Pledge and Assignment**

The Institution consents to and authorizes the assignment, transfer or pledge, if any, by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to the Loan Agreement as described in paragraphs (iii), (iv), (v), (vi), (x) and (xii) under the heading "Financial Obligations" above, and any or all security interests granted by the Institution under the Loan Agreement. The Government Obligations, Exempt Obligations and other Securities and all funds and accounts established by the Resolution and the Series 2017 Resolution and pledged thereby in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated thereby whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee

authorized under this heading, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution thereunder.

*(Section 13)*

### **Tax-Exempt Status of the Institution**

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code, except for payment of unrelated business income tax. The Institution agrees that (A) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (B) it shall not perform any act or enter into any agreement or use or permit its Project to be used in a manner, or for any trade or business unrelated to the educational purposes of the Institution, which could adversely affect the exclusion of interest on any of the Series 2017 Bonds from federal gross income pursuant to Section 103 of the Code.

The Institution covenants with the Authority that, except as may be expressly permitted in its Tax Certificate delivered in connection with the issuance of the Series 2017 Bonds, it will not enter into any leases in connection with the Project financed by such Bonds (other than such leases or agreements that may be entered into from time to time in connection with the use of such Project for student residences) unless the Institution has obtained an opinion of Bond Counsel that such lease will not adversely affect the exclusion of interest on the Series 2017 Bonds from federal gross income pursuant to Section 103 of the Code, which opinion of Bond Counsel shall be delivered to the Authority prior to the Institution executing and delivering such lease.

*(Section 14)*

### **Use and Control of Projects; Restrictions on Religious Use**

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institution shall have sole and exclusive control of, possession of and responsibility for (i) any Project financed under the Loan Agreement; (ii) the operation of such Projects and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of such Projects; provided, however, that, except as otherwise limited by the Loan Agreement, the foregoing shall not prohibit the use of the Project by persons other than the Institution or its students, staff or employees in furtherance of the Institution's corporate purposes, if such use will not adversely affect the exclusion of interest on the Series 2017 Bonds from the gross income of the Holders thereof for federal income tax purposes.

The Institution agrees that with respect to any of the Institution's Projects or portion(s) thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and provided, further, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit a Project or portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as an Authorized Officer of the Authority deems necessary to determine whether any Project or any portion thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution further agrees that prior to any disposition of any portion of a Project for less than fair market value, it shall execute and record in

the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of a Project, or the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this heading an involuntary transfer or disposition of a Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

*(Section 18 and 19)*

### **Maintenance, Repair and Replacement**

The Institution agrees that, throughout the term of the Loan Agreement, it shall, at its own expense, hold, operate and maintain the Projects 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 its Projects may be properly and advantageously conducted. The Institution shall have the right to remove or replace any type of fixtures, furnishings and equipment in its Project(s) which may have been financed by the proceeds of the sale of any series of Bonds provided the Institution 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 Institution further agrees that it shall pay at its own expense all extraordinary costs of maintaining, repairing and replacing its Projects except insofar as funds are made available therefor from proceeds of insurance, condemnation or eminent domain awards.

*(Section 21)*

### **Covenant as to Insurance**

The Institution agrees to maintain or cause to be maintained insurance as required by and in accordance with the provisions of the Master Indenture..

*(Section 23)*

### **Damage or Condemnation**

In the event of a taking of a Project or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of such Project, which results in receipt by the Institution of at least \$250,000 in insurance, condemnation or eminent domain proceeds or which otherwise substantially impairs the use of such Project or part thereof for its intended purpose, then and in such event the net proceeds of any insurance, condemnation or eminent domain award shall be paid upon receipt thereof by the Institution or the Authority to the Trustee for deposit in the Applicable Construction Fund established in connection with such Project; for the purposes of this heading, net proceeds shall mean an Applicable Obligation holder's interest in such proceeds determined on a ratable basis in direct proportion to the amount then due and owing under the Applicable Obligation.

(i) if within 120 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Institution and the Authority agree in writing that the Project or the affected portion thereof shall be repaired, replaced or restored and a certificate of an Authorized Officer of the Institution, which certificate has been

reviewed by the Authority, stating that adequate resources are available to comply with the covenants and provisions of the Master Indenture after such repair, replacement or restoration is undertaken, the Institution shall proceed to repair, replace or restore the Project or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its condition prior to the occurrence of such damage, condemnation, destruction or eminent domain, insofar as possible with such changes and additions as shall be appropriate to the needs of the Institution and approved in writing by the Authority. The funds required for such repair, replacement or restoration shall be paid 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 funds to be provided by the Institution; or.

(ii) if no agreement for the repair, restoration or replacement of the Project or the affected portion thereof shall be reached by the Authority and the Institution within such 120-day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution and the Applicable Series Resolution or Bond Series Certificate) shall be delivered to the Trustee for deposit to the Applicable Debt Service Fund for application at the written direction of the Authority in accordance with the Resolution.

*(Section 24)*

### **Reports and Financial Information**

The Institution shall, if and when requested by an Authorized Officer of the Authority, render to the Authority and the Trustee reports with respect to the condition of, and all repairs, replacements and maintenance made to its Project(s). The Institution shall also furnish annually, not later than one hundred eighty (180) days after the end of the Institution's fiscal year, to the Trustee, the Authority and to such other parties as the Authority may designate, (i) a certificate stating whether an Event of Default under its Loan Agreement, or, to the best of the Authorized Officer's knowledge, an event that, with the giving of notice or the passage of time, or both, would constitute such an Event of Default, has occurred and is continuing, and, if such an Event of Default or such an event has occurred and is continuing, a statement as to the nature thereof, and also stating that the Institution is in compliance with, and has taken reasonable measures to determine that it is in compliance with, all applicable provisions of the Resolution, the Series 2017 Resolution, the Loan Agreement and the Applicable Tax Certificate, and, (ii) copies of its financial statements audited by a nationally recognized independent public accountant selected by the Institution and acceptable to an Authorized Officer of the Authority and prepared in conformity with generally accepted accounting principles applied on a consistent basis, including therein without limitation, a balance sheet as of the end of such fiscal year, a statement of changes in net assets and a statement of activities for such fiscal year, and (iii) such other statements, reports and schedules describing the finances, operation and management of the Institution and such other information reasonably required by an Authorized Officer of the Authority.

*(Section 26)*

### **Defaults and Remedies**

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

(i) the Institution shall default in the timely payment of any amount payable pursuant to the Loan Agreement as described under the heading "Financial Obligations" or in the delivery of Securities or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement or with the Resolution or the Series 2017 Resolution, and such default continues for a period in excess of seven (7) days;

(ii) the Institution defaults in the due and punctual performance of any other covenant contained in its Loan 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, provided that, if, in the determination of the Authority, such default cannot be corrected within such thirty (30) day period but can be corrected by appropriate action, it shall not constitute an Event of Default if corrective action is instituted by the Institution within such period and is diligently pursued until the default is corrected;

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

(iv) the Obligated Group shall be in default under the Master Indenture or under any Obligation (as defined in the Resolution) issued under the Master Indenture, and in either case such default continues beyond any applicable grace period;

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

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

(vii) the charter or incorporation document of the Institution shall be suspended or revoked;

(viii) a petition to dissolve the Institution shall be filed by the Institution with the Secretary of State of the State of New York, the legislature of the State or any other governmental authority having jurisdiction over the Institution;

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

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

(xi) 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 Institution, which order shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

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

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

(i) declare all sums payable by the Institution thereunder or under the Obligation relating to the Applicable Bonds immediately due and payable;

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

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

(iv) maintain an action against the Institution under the Loan Agreement or under any Obligation or against any or all Members of the Obligated Group under the Master Indenture or the Applicable Obligation to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of the Master Indenture or the Applicable Obligation;

(v) permit, direct or request the Trustee in writing to liquidate all or any portion of the assets of the Applicable Debt Service Reserve Fund, if any, 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 Institution's Allocable Portion of the Applicable Bonds, or any other obligation or liability of the Institution or the Authority arising under the Loan Agreement or from the Resolution or the Series 2017 Resolution;

(vi) to the extent permitted by law, (A) enter upon any Applicable Project and complete the construction of any such Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Projects, all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution, (B) at any time discontinue any work commenced in respect of the construction of any Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institution in any way relating to the construction of any Applicable Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (D) in connection with the construction of any Applicable Project undertaken by the Authority pursuant to the provisions of this paragraph (vi), (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (y) pay, settle or compromise all bills or claims which may become liens against an Applicable Project or against any moneys of the Authority applicable to the construction of an Applicable Project, or which have been or may be incurred in any manner in connection with completing the construction of an Applicable Project or for the discharge of liens, encumbrances or defects in the title to an Applicable Project or against any moneys of the Authority applicable to the construction of an Applicable Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of any Applicable Project whether the same shall be paid or incurred pursuant to the provisions of this paragraph (vi) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. For the purpose of exercising the rights granted by paragraph (iv) during the term of the Loan Agreement, the Institution irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution; and

(vii) direct the Master Trustee to realize on the liens granted under the Master Indenture, any Mortgage, or by law, including foreclosure of any Mortgage, and any other action or proceeding permitted by the terms of the Master Indenture, any Mortgage or by law.

All rights and remedies given or granted to the Authority in the Loan 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.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made or action taken pursuant to the Loan 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 29)*

### **Termination**

The Loan Agreement shall remain in full force and effect until the Institution's Allocable Portion of the Applicable Series of the Bonds is no longer Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution shall have been made or provision made for the payment thereof; provided, however, that Section 36 hereof and the liabilities and the obligations of the Institution to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the provisions of the Loan Agreement relating to maintenance of insurance, payment of taxes and assessments and indemnification 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 Institution to evidence such termination and the discharge of its duties under the Loan Agreement, including the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

*(Section 43)*

**APPENDIX D**

**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION**

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## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a brief summary of certain provisions of the Resolution pertaining to the Series 2017 Bonds. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in **Appendix A**.

#### **Contract with Bondholders**

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

*(Section 1.03)*

#### **Option of Authority to Assign certain Rights and Remedies to the Trustee**

As security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, Outstanding Bonds of a Series and for the performance of each other obligation of the Authority under the Resolution, the Authority may grant, pledge and assign to the Trustee all of the Authority's estate, right, title, interest and claim in, to and under the Applicable Loan Agreement, or Applicable Obligation, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under such Loan Agreement or Obligation, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all Revenues, Gross Revenues and other payments and other security now or hereafter payable to or receivable by the Authority under such Loan Agreement or Obligation, and the right to make all waivers and agreements in the name and on behalf of the Authority, as Trustee for the benefit of the Applicable Bondholders, and to perform all other necessary and appropriate acts under the Applicable Loan Agreement or Applicable Obligation, subject to the following conditions: (a) that, unless and until the Authority grants, pledges or assigns such rights under the Applicable Loan Agreement or the Applicable Obligation to the Trustee, the Authority may in its sole discretion unless the consent of the Applicable Credit Facility Issuer, if any, is required, and without the consent of the Trustee or the Bondholders modify, amend or release any provisions of such Loan Agreement or Obligation only as provided in the Resolution; (b) that the Holders of the Applicable Bonds, if any, shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; (c) that, unless and until the Trustee shall, in its discretion when an "Event of Default" (as defined in the Applicable Loan Agreement) under the Applicable Loan Agreement shall have occurred and shall be continuing, so elect, by instrument in writing delivered to the Authority and the Applicable Institution (and then only to the extent that the Trustee shall so elect), the Trustee shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in the Applicable Loan Agreement to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); the Authority, however, is to remain liable to observe and perform all the conditions and covenants in the Applicable Loan Agreement to be observed and performed by it; provided, however, that any grant, pledge and assignment by the Authority of moneys, revenues, accounts, rights or other property of the Applicable Institution made with respect to

such Loan Agreement pursuant to this paragraph shall secure, in the case of the Applicable Loan Agreement or any applicable portion thereof, only the payment of the amounts payable under such Loan Agreement.

In the event the Authority grants, pledges and assigns to the Trustee any of its rights as provided above, the Trustee shall accept such grant, pledge and assignment which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee.

Upon (i) the occurrence of an Event of Default (other than an Event of Default specified in paragraph (c) of the Section entitled "Event of Default") and (ii) the written request of the Applicable Bond Trustee, the Authority shall assign the Applicable Obligation to the Trustee.

*(Section 1.04)*

### **Refunding Bonds and Additional Obligations**

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, one or more series of bonds or other obligations, a portion of a Series of Outstanding Bonds or a portion of a series of bonds or other obligations, a portion of a maturity of a Series of Outstanding Bonds or a portion of a maturity of a series of bonds or other obligations. The Authority by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of this Section and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds.

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, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution and pursuant to an Applicable Series Resolution, or prior or equal to the rights of the Authority and Holders of an Applicable Series of Bonds as provided under the Resolution or with respect to the moneys pledged under the Resolution or pursuant to an Applicable Series Resolution.

*(Sections 2.04 und 2.05)*

### **Pledge of Revenues**

The proceeds from the sale of an Applicable Series of Bonds, the Revenues and all funds authorized by the Resolution and established pursuant to an Applicable Series Resolution, other than an Applicable Arbitrage Rebate Fund, are by the Resolution, subject to the adoption of an Applicable Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under an Applicable Series Resolution with respect to such Series, all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution, subject to the adoption of an Applicable Series Resolution, shall relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Applicable Series of Bonds, the Revenues and all funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution and pursuant to the Applicable Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series shall be special obligations of the Authority payable solely

from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Revenues and the funds established by the Resolution and pursuant to the Applicable Series Resolution, which pledge shall constitute a first lien thereon.

*(Section 5.01)*

### **Establishment of Funds and Accounts**

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

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

Accounts and sub accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created by the Resolution, other than the Applicable Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely in connection with an Applicable Series of Bonds for the uses and purposes provided in the Resolution; provided however, that (i) any Debt Service Reserve Fund established by or pursuant to a Series Resolution, the amounts held therein and amounts derived from any Reserve Fund Facility related thereto, shall not be held in trust for the benefit of the Holders of Bonds other than the Bonds of the Series secured thereby as provided in such Series Resolution and are pledged solely thereto and no Holder of the Bonds of any other Series shall have any right or interest therein, and (ii) the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price or Redemption Price of such Option Bonds.

*(Section 5.02)*

### **Application of Bond Proceeds and Allocation Thereof**

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

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

*(Section 5.03)*

### **Application of Moneys in the Construction Fund**

For purposes of internal accounting, an account in the Applicable Construction Fund may contain one or more subaccounts, as the Authority may deem necessary or desirable. As soon as practicable after the delivery of an Applicable Series of Bonds, the Trustee shall deposit in the appropriate account in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Applicable Series Resolution, the Applicable Loan Agreement or the Applicable Bond Series Certificate. In addition, the Authority shall remit to the Trustee and the Trustee shall deposit in the appropriate account in the Applicable Construction Fund any moneys paid or

instruments payable to the Authority derived from insurance proceeds or condemnation awards from the Applicable Project.

Except as otherwise provided in the Resolution and in the Applicable Series Resolution or Applicable Bond Series Certificate, moneys deposited in the Applicable Construction Fund shall be used only to pay the Costs of Issuance of the Bonds issued in connection with such Series Resolution or Bond Series Certificate and the Costs of the Project(s) in connection with which such Bonds were issued:

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

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Applicable Institution with respect to an Project shall be deposited in the appropriate account in the Applicable Construction Fund and, if necessary, such fund may be reestablished for such purpose and if not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Fund for the redemption of the Applicable Series of Bonds in accordance with the Applicable Loan Agreement.

An Project shall be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of an Institution which certificate shall be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to such Institution and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Institution, shall specify the date of completion, or if any portion of the Project has been abandoned and will not be completed, shall so state.

Upon receipt by the Trustee of the certificate required pursuant to the provisions of the Resolution summarized above, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the written direction of the Authority for the payment of any Costs of Issuance of such Applicable Series of Bonds and Costs of the Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

First: Upon the written direction of the Authority, to the Applicable Arbitrage Rebate Fund, the amount set forth in such direction;

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

Third: To the Applicable Debt Service Fund for the redemption or purchase of the Applicable Series of Bonds in accordance with this Resolution and the Applicable Series Resolution, any balance remaining.

*(Section 5.04)*

#### **Enforcement Obligations; Deposit of Revenues and Allocation Thereof**

To the extent an Institution fails to make any timely payment under the Applicable Loan Agreement, which payment would constitute a credit for payment of the Applicable Obligation in accordance with the terms thereof,

the Trustee shall promptly make demand for payment under the Applicable Obligation in accordance with the terms thereof.

The Revenues, including all payments received under the Applicable Loan Agreement, Master Indenture and the Obligations, shall be deposited upon receipt by the Trustee to the appropriate account of the Applicable Debt Service Fund in the amounts, at the times and for the purposes specified in the Applicable Series Resolution or Applicable Loan Agreement. To the extent not required to pay the interest, principal, Sinking Fund Installments and moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund shall be paid by the Trustee on or before the Business Day preceding each interest payment date as follows and in the following order of priority:

First: To reimburse, pro rata, the Applicable Facility Provider, if any, for Provider Payments which are then unpaid the respective Provider Payments and to replenish each Debt Service Reserve Fund to its respective Debt Service Reserve Fund Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Facility Provider and the amount of the deficiency in each Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the respective Debt Service Reserve Funds;

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

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

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

After making the payments as required above, the balance, if any, of the Revenues then remaining shall, upon the written direction of an Authorized Officer of the Authority, be paid by the Trustee to the Applicable Construction Fund or the Applicable Debt Service Fund, or paid to the Applicable Institution, in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution. The Trustee shall notify the Authority and such Institution promptly after making the payments required by the provisions summarized above, of any balance of Revenues then remaining.

In the event that any payments received by the Trustee under the Resolution are less than the total amount required to be paid to the Trustee and such payments relate to more than one Series of Bonds, the payments shall be applied pro rata to each such Series of Bonds based upon the amounts then due and payable.

*(Section 5.05)*

#### **Debt Service Fund**

The Trustee shall on or before the Business Day preceding each interest payment date pay, from the Applicable Debt Service Fund, to itself and any other Paying Agent:

- (a) the interest due on all Outstanding Bonds of the Applicable Series on such interest payment date;
- (b) the principal amount due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(c) the Sinking Fund Installments, if any, due on all Outstanding Bonds of the Applicable Series on such interest payment date; and

(d) moneys required for the redemption of Bonds of the Applicable Series in accordance the Resolution.

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

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

Notwithstanding the provisions summarize in the first paragraph under this caption "Debt Service Fund," the Authority may, at any time subsequent to the first principal payment date 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 in writing to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Applicable Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by an the Institution(s) and delivered to the Trustee in accordance with the Applicable Loan Agreement(s) 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.

Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Applicable Outstanding Bonds payable on or prior to the next succeeding principal payment date, the interest on Applicable Outstanding Bonds payable on the next succeeding interest payment date, and the purchase price or Redemption Price of Applicable Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the written direction of an Authorized Officer of the Authority to the purchase of Applicable 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, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Applicable Debt Service Fund, such moneys may be applied by the Trustee: (i) in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Bond Series Certificate or (ii) as may otherwise be directed by the Authority.

*(Section 5.06)*

### **Debt Service Reserve Fund**

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

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 an Applicable Series for all or any part of the Applicable 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 of a Series are not rated by both Moody's and S&P, by whichever of said rating services that then rates such 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 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, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if such Outstanding Bonds are not rated by Moody's and S&P, by whichever of said rating services that then rates such 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 a Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to the Authority and any Applicable Credit Facility Issuer, 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 such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the Applicable Institution thereunder or under any applicable provisions of the Debtor and Creditor Law of the State and (iv) the written consent of all Applicable Credit Facility Issuers, if any.

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, unless at the time such ratings are reduced such Facility Provider is the Credit Facility Issuer of all Outstanding Bonds, either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) deposit or cause to be deposited in the Applicable Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements of the Resolution 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 January 1 or July 1 next succeeding the reduction in said ratings.

Each such surety bond, insurance policy or letter of 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 Applicable Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of the Resolution, in computing the amount on deposit in the Applicable 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 of credit of said Facility Provider has been reduced below the ratings required by the second paragraph of the provisions summarized under the caption "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 interest payment dates which has elapsed since such ratings were reduced and the denominator of which is ten.

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

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

Moneys and investments held for the credit of an Applicable Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement, upon written direction of an Authorized Officer of the Authority, shall be withdrawn by the Trustee and (i) deposited in the Applicable Arbitrage Rebate Fund, Debt Service Fund or Construction Fund, (ii) paid to the Institution(s) 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 Applicable Institution pursuant to resolutions other than the Resolution, in accordance with such direction; provided, however, with respect to Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes, 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 such Bonds from gross income for federal income tax purposes.

Notwithstanding the above provisions, if, upon a Bond having been deemed to have been paid in accordance with the provisions of the Resolution summarized below under the caption "Defeasance" 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 Applicable Debt Service Reserve Fund will exceed the Applicable Debt Service Reserve Fund Requirement, then the Trustee shall, simultaneously with such redemption or deposit, withdraw all or any portion of such excess from the Applicable Debt Service Reserve Fund upon the written direction of an Authorized Officer of the Authority and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or (ii) fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond if, in the opinion of Bond Counsel, application of such moneys to the use authorized in this clause (ii) will not adversely affect the exclusion of interest on any Applicable Bonds from gross income for federal income tax purposes, or (iii) pay such amount to the Authority for deposit to the Applicable Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Project(s) will not adversely affect the exclusion of interest on any Bonds of an Applicable Series from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Applicable Debt Service Reserve Fund shall not be less than the Applicable Debt Service Reserve Fund Requirement.

If upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of a Debt Service Reserve Fund are less than the Applicable Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Applicable Institution of such deficiency and such Institution 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. If the Applicable Institution has not made timely payment, the Trustee shall immediately notify the Authority, the Obligated Group

Representative and the Master Trustee of such non-payment and shall seek payment under the Applicable Obligation in accordance with the terms thereof.

*(Section 5.07)*

### **Arbitrage Rebate Fund**

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

Moneys on deposit in the Applicable Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the written direction 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 the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any applicable fund in accordance with the written directions of the Authority.

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 Excess Earnings with respect to each Applicable Series of Bonds and direct the Trustee in writing to (i) transfer from any other of the applicable funds held by the Trustee under the Resolution and deposit to the Applicable Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Applicable 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 5.07)*

### **Application of Moneys in Certain Funds for Retirement of Bonds**

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

*(Section 5.08)*

## **Transfer of Investments**

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

*(Section 5.09)*

## **Computation of Certain 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 an Applicable Institution, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Resolution, shall compute the value of the assets in the Applicable Debt Service Reserve Fund, as applicable, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Applicable Institution as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund exceeds or is less than the Applicable Debt Service Reserve Fund Requirement.

*(Section 5.10)*

## **Security for Deposit**

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

*(Section 6.01)*

## **Investment of Funds Held by the Trustee**

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

In lieu of the investments of money in obligations authorized pursuant to the preceding paragraph, the Trustee shall, to the extent permitted by law, upon direction of the Authority given in writing, signed by an Authorized Officer of the Authority, invest money in the Construction Fund in any Permitted Investment; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution, provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the

amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged to, as the case may be, such fund or account unless otherwise provided in a Series Resolution.

In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in a Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest and except that Investment Agreements shall be valued at original cost, plus accrued interest.

The Authority, in its discretion, may direct the Trustee in writing to, and the Trustee shall, sell, or present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided under this caption "Investment of Funds held by Trustees". Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant hereto whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee shall advise the Authority and the Applicable Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund 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 Authority's direction to the Trustee with respect to the provisions of the first three paragraphs under this caption entitled "Investment of Funds held by Trustees". 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 in the previous month.

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

*(Section 6.02)*

### **Accounts and Audits**

The Authority shall keep proper books of record 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 Applicable 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 Applicable Institution(s), the Trustee, any Credit Facility Issuer or any Holder of a Bond of an Applicable Series 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, if any, each Credit Facility Issuer, if any, and the Applicable Institution(s). Such report shall include at least, a statement of all funds (including investments thereof) held by the Trustee and the Authority pursuant to the provisions of the Resolution and of each Applicable Series Resolution; a statement of the Revenues collected in connection herewith and with each Applicable Series Resolution; a statement that the balance in the Applicable Debt Service Reserve Fund meets the requirements of the Resolution and of the Applicable Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report, upon receipt of a written request therefore and payment of any reasonable fee or charge made in connection therewith, be furnished to any registered owner of a Bond or any beneficial owner of a Book-Entry Bond requesting the same.

*(Section 7.05)*

## **Enforcement of Duties and Obligations of the Institutions**

The Authority shall take all legally available action to cause an Applicable Institution to perform fully all duties and acts and comply fully with the covenants of such Applicable Institution required by the Applicable Loan Agreement in the manner and at the times provided in such Loan Agreement; provided, however, that the Authority may delay, defer or waive enforcement of one or more provisions of said Loan 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, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of an Applicable Series.

*(Section 7.06)*

## **Deposit of Certain Moneys in the Construction Fund**

In addition to the proceeds of Bonds of an Applicable Series to be deposited in the Applicable Construction Fund, any moneys paid or letter of credit or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of an Applicable Project(s) and any moneys received in respect of damage to or condemnation of such Project(s) shall be deposited in the Applicable Construction Fund.

*(Section 7.07)*

## **Amendment of Loan Agreement and Master Indenture**

The Authority may not amend, change, modify, alter or terminate a Loan Agreement or consent to the amendment, change, modification, alteration or termination of the Master Indenture, in either case 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, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section entitled "Amendment of Loan Agreement and Master Indenture"; provided, further, 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 Applicable Institution under its Applicable Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof or reduce the amount of any payment required to be made under the Applicable Obligations held by the Authority. Notwithstanding any provision of this Section to the contrary, the Authority may consent to the waiver, amendment or removal of any covenant or provision which, pursuant to the Master Indenture, may be waived by the Authority without the consent of the Holders of the Bonds or the Trustee. A Loan 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 the Projects or which may be added to or adjacent to the Projects or the issuance of Bonds, to cure any ambiguity, to provide for the issuance of a Series of Bonds or to correct or supplement any provisions contained in a Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Notwithstanding anything in under this caption "Amendment of Loan Agreement and Master Indenture" to the contrary, if a Loan Agreement or the Master Indenture expressly provides for the consent of any other person or entity to an amendment to such Loan Agreement or the Master Indenture, such consent shall be required to be obtained as provided in the Loan Agreement or the Master Indenture. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of this section, a Series of Bonds shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series

would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Applicable Institution, the Authority and all Holders of Bonds.

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

*(Section 7.10)*

#### **Notice as to an Event of Default Under the Loan Agreement**

The Authority shall notify the Trustee and any Applicable Credit Facility Issuer in writing that an “Event of Default” under a Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

*(Section 7.11)*

#### **Modification and Amendment Without Consent**

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

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

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

(c) 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 Resolutions;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, the Master Indenture, or any Applicable Series Resolution, the Revenues, or any pledge of any other moneys, Securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution shall cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) 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 herewith as theretofore in effect, or to modify any of the provisions of the Resolutions or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of Bonds of an Applicable Series in any material respect.

*(Section 9.02)*

### **Applicable Supplemental Resolutions Effective With Consent of Bondholders**

The provisions of the Resolution and an Applicable Series Resolution may also be modified or amended at any time or from time to time by an Applicable 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 the Authority.

*(Section 9.03)*

### **General Provisions Relating to the Applicable Series Resolution and Supplemental Resolution**

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

A copy of every Applicable Series Resolution and Applicable Supplemental Resolution adopted by the members of the Authority, when filed with the Trustee thereunder, shall be accompanied by an opinion of Applicable Bond Counsel stating that such Applicable Series Resolution or Applicable Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms.

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

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

*(Section 9.04)*

### **Powers of Amendment**

Any modification or amendment of the Resolution and of the rights and obligations of the Authority which shall be deemed to affect an Applicable Series of Bonds and of the Holders of the Bonds of such Applicable Series under the Resolution, in any particular, may be made by an Applicable Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Holders of at least two thirds (2/3) in principal amount of the Bonds Outstanding of an Applicable Series at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two thirds (2/3) in principal amount of the Bonds of the Applicable 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 Applicable Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section of the Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of an Applicable Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds of an Applicable Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this section, an Applicable Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of an Applicable Series or

maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds of an Applicable Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of an Applicable Series or maturity would be so affected by any such modification or amendment of the Resolution.

*(Section 10.01)*

### **Consent of Bondholders**

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of this Section to take effect when and as provided in this Section. 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 Holders of the Applicable Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed or caused to be mailed by the Trustee at the direction of the Authority to such Bondholders (but failure to mail such copy to any particular Bondholder shall not affect the validity of such Supplemental Resolution when consented to as provided in this Section). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consent of such Holders of the percentages of Outstanding Bonds of an Applicable Series specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds of an Applicable Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of the Applicable Series described in the certificate or certificates of the Trustee. Any consent given by a Holder of Bonds of an Applicable Series shall be binding upon such Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any such subsequent Bondholder and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Bondholder giving such consent or such subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee 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 such Holders of the required percentages of Bonds shall have filed their consents to such Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that such Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of each Applicable Series and will be effective as provided in this Section, shall be given to such Bondholders by the Trustee at the direction of the Authority by mailing or causing the mailing of such notice to the Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section) and, in the sole discretion of the Authority, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of such Bonds shall have filed their consents to such Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section). If such notice is published, the Authority shall file with the Trustee proof of the publication thereof, and, if the same shall have been mailed to the Holders of such Bonds, of the mailing thereof. A transcript, consisting of the papers required or permitted by this Section 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 each Applicable Series of 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.

*(Section 10.02)*

### **Modifications by Unanimous Consent**

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of an Applicable Series under the Resolution may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of such Supplemental Resolution certified by the Authority and the consent of the Holders of all of the Bonds then Outstanding of the Applicable Series, such consent to be given as provided in the Resolution, except that no notice to such 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 an Applicable Series Resolution (herein called “event of default”) if:

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

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

(c) With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of the tax covenants contained in the Resolution and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable 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 (unless such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within thirty (30) days and diligently prosecutes the cure thereof), which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of the Series; or

(e) The Authority shall have notified the Trustee that an “Event of Default”, as defined in the Applicable Loan Agreement, arising out of or resulting from the failure of the Applicable Institution to comply with the requirements of the Applicable Loan Agreement shall have occurred and be continuing and all sums payable by the Applicable Institution under such Applicable Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

An event of default under the Resolution in respect of an Applicable Series of Bonds shall not in and of itself be or constitute as an event of default in respect of any other Series of Bonds.

*(Section 11.02)*

## **Acceleration of Maturity**

Upon the happening and continuance of any event of default specified above under the caption “Events of Default”, other than an event of default specified in paragraph (c) above under “Events of Default”, then and in every such case the Trustee may, and, upon the written request of (i) the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty five per centum (25%) in principal amount of an Applicable Series of Outstanding Bonds, with the prior written consent of the Applicable Credit Facility Issuers, if any, or (ii) if one or more Applicable Credit Facility Issuers, if any, have deposited with the Trustee a sum sufficient to pay the principal of and interest on the Applicable Outstanding Bonds due upon the acceleration thereof, upon the request of the Credit Facility Issuer, if any, or Credit Facility Issuers, if any, making such deposit, shall: (A) 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 immediately and (B) request that the Master Trustee declare all applicable Outstanding Obligations (as defined in the Master Indenture) to be immediately due and payable. 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. In the event that a Credit Facility Issuer shall make any payments of principal of or interest on any Bonds pursuant to a Credit Facility and the Bonds are accelerated, such Credit Facility Issuer may at any time and at its sole option, pay to the Bondholders all or such portion of amounts due under such Bonds prior to the stated maturity dates thereof. 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 Credit Facility Issuers, if any, which have issued Credit Facilities for not less than twenty five per centum (25%) in principal amount of the Applicable Bonds not then due by their terms and then Outstanding, or the Holders of not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, with the written consent of the Applicable Credit Facility Issuers, if any, and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Applicable Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Applicable 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 the Applicable Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable 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 Section) 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 in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Applicable Credit Facility Issuers, if any, which have issued Credit Facilities for not less than twenty-five per centum (25%) in principal amount of the Applicable Outstanding Bonds, or of the Holders of not less than twenty five per centum (25%) in principal amount of the Applicable Outstanding Bonds with the consent of the Credit Facility Issuers, if any, or, in the case of a happening and continuance of an event of default specified in paragraph (c) of the section entitled “Events of Default” above, upon the written request of the Applicable Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby with the consent of the Applicable Credit Facility Issuer, if any, of such Series of Bonds, 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, if any, under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an

accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under the Applicable 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 Applicable Bonds, with interest on overdue payments of the principal 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 in the applicable funds and accounts and under the Applicable Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of the Applicable Series as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of the Resolution), 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 payment of all amounts owing to the Trustee under the Resolution) as follows:

Unless the principal of all the Bonds of the Applicable Series 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 such 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 except as to the difference in the respective rates of interest specified in such Bonds; or

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series 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 of such Bonds 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.

If the principal of all of the Bonds of the Applicable Series 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 such 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 of such Series over any other such 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 said Bonds.

The provisions summarized under this caption "Priority of Payments After Default" are in all respects subject to the other provisions of the Resolutions.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, 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 for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever

to the Authority, to any Holder of Bonds of any Applicable Series 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 hereof 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.

*(Section 11.05)*

### **Termination of Proceedings**

In case any proceedings taken 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 Credit Facility Issuer, if any, each Facility Provider, if any, the Applicable Institution and the Holders of Bonds of the Applicable Series shall be restored to their former positions and rights under the Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

*(Section 11.06)*

### **Bondholders' Direction of Proceedings**

Anything in the Resolution to the contrary notwithstanding, the Applicable Credit Facility Issuers, if any, or the Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the consent of the Applicable Credit Facility Issuers, if any, or, in the case of an event of default specified in paragraph (c) under the caption "Events of Default" above, the Holders of a majority in principal amount of the Outstanding Bonds of the Applicable Series with the consent of the Applicable Credit Facility Issuers, if any, 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 the Applicable Series Resolution, provided, such direction shall not be otherwise than in accordance with law or the provisions hereof and of the Applicable 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 nor the Credit Facility Issuer of a Credit Facility of any of the Bonds of an Applicable Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such Holder or Credit Facility Issuer previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series with the consent of the Applicable Credit Facility Issuer or, in the case of an event of default specified in paragraph (c) under the caption "Events of Default" above, the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series with the consent of the Applicable Credit Facility Issuer, 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 thereunder. It is understood and intended that no one (1) or more of the Credit

Facility Issuers of a Applicable Series of Bonds secured by the Resolution and by an Applicable Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or 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 of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of an Applicable Series shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, 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 the Bonds of an Applicable a Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Bonds Series Certificate, then the pledge of the Revenues or other moneys and Securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds shall be discharged and satisfied, and the right, title and interest of the Trustee in the Applicable Loan Agreement, and the Revenues shall thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Trustee, on demand of the Authority, shall release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series of Bonds, except as it covers moneys and Securities provided for the payment of such Bonds, and shall execute such documents to evidence such release as may be reasonably required by the Authority and the Applicable Institution and shall turn over to the Applicable Institution or such person, body or authority as may be entitled to receive the same, upon such indemnification, if any, as the Authority or the Trustee may reasonably require, all balances remaining in any funds held under the Applicable Series Resolution after paying or making proper provision for the payment of the principal or Redemption Price (as the case may be) of, and interest on, all Bonds of the Applicable Series and payment of expenses in connection therewith; provided that if any, of such Bonds are to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice shall have been given to the Trustee.

Bonds of an Applicable Series for which moneys shall have been set aside, shall be held in trust by the Trustee for the payment or redemption thereof, (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 preceding paragraph. All Outstanding Bonds of an Applicable Series or any maturity within such Series or a portion of a maturity within such 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 in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in the Resolution, notice of redemption on said 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, which obligations are not subject to redemption prior to maturity other than at the option of the holder or which have been irrevocably called for redemption on a stated future date, 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 said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) 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 said Bonds at their respective last known addresses, if any, appearing on the 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 this Section 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 for which payment shall be made in accordance with the provisions summarized under this caption "Defeasance." The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with this Section in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on 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, be reinvested in the 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. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent be in excess of the amount required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, as directed by the Authority 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 such Loan Agreement.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of an Applicable Series which remain unclaimed for three (3) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, shall at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

No principal or Sinking Fund Installment of or installment of interest on a Bond shall be considered to have been paid, and the obligation of the Authority for the payment thereof shall continue, notwithstanding that a Credit Facility Issuer, if any, pursuant to the Credit Facility issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

Prior to any defeasance becoming effective under the Resolution, each Applicable Credit Facility Issuer and the Trustee shall have received (a) the final official statement delivered in connection with the refunding of Bonds, if any, (b) a copy of the accountants' verification report, (c) a copy of the escrow deposit agreement or letter of instructions in form and substance acceptable to such Credit Facility Issuer, and (d) a copy of an opinion of Bond Counsel, dated the date of defeasance and addressed to such Credit Facility Issuer, to the effect that such Bonds have been paid within the meaning and with the effect expressed in this Resolution and the Series Resolution, and that the covenants, agreements and other obligations of the Authority to the Holders of such Bonds have been discharged and satisfied.

*(Section 12.01)*

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**APPENDIX E**

**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE**

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## APPENDIX E

### SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

The Master Trust Indenture contains terms and conditions relating to the issuance of Obligations under the Master Trust Indenture, including various financial covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Master Trust Indenture, and reference is made to such Master Trust Indenture, copies of which are available from the Master Trustee. This summary uses various terms defined in the Master Trust Indenture and such terms as used in the Master Trust Indenture will have the same meanings as so defined.

#### MASTER TRUST INDENTURE

##### **Certain Definitions (*Section 1.01*)**

When used in this summary of the provisions of the Master Trust Indenture, the following terms have the meanings ascribed to them below.

“Additional Indebtedness” means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of Obligation Nos. 1 through 5 under the Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group.

“Additional Obligations” means any Obligations incurred by the Obligated Group subsequent to the issuance of Obligation Nos. 1 through 5 under the Master Indenture.

“Affiliate” means a corporation, limited liability company, partnership, joint venture, association, business trust or other entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by a Member or the Obligated Group Representative or their respective successors or assigns or by any Person which directly or indirectly controls a Member or the Obligated Group Representative and any joint ventures in which any of the Members or the Obligated Group Representative participate. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

“Annual Debt Service” means the Long-Term Debt Service Requirement for any Fiscal Year.

“Audited Financial Statements” means financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with GAAP, which have been audited and reported upon by independent certified public accountants.

“Authorized Representative” means, with respect to the Obligated Group Representative, its president or its chief financial officer or any other person or persons designated an Authorized Representative by a resolution adopted by the Obligated Group Representative’s board of trustees and filed with the Master Trustee and with respect to the Master Trustee, any corporate trust officer.

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness 25% or more of the principal amount of which is due in any 12-month period, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption or sinking fund payments prior to such date.

“Bond Index” means, as selected by the Authorized Representative of the Obligated Group Representative, either (i) The Bond Buyer thirty (30) year “Revenue Bond Index,” as then published most recently by The Bond Buyer, New York, New York or a comparable published index selected by an Authorized Representative of the Obligated Group Representative, if such first published index is no longer available or (ii) the SIFMA Index, or (iii) such other interest rate or interest index as may be certified in writing to the Master Trustee as appropriate to the situation by the Authorized Representative of the Obligated Group Representative.

“Book Value” when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with GAAP, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

“Capital Addition” means any addition, improvement or extraordinary repair to or replacement of any Property, whether real, personal or mixed, the cost of which is properly capitalized under GAAP.

“Capitalized Lease” means a lease required to be capitalized under GAAP.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consultant” means a firm or firms, selected by the Obligated Group Representative, which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant or investment banking firm or other financial institution of national repute for having the skill and experience necessary to render the particular report required by the provision of the Master Indenture in which such requirement appears and which firm or firms is not unacceptable to the Master Trustee.

“Control Agreement” means any agreement whereby the Obligated Group, a secured party and a banking institution have agreed in an authenticated record (such as a signed writing) that the banking institution will comply with instructions originated by the secured party directing disposition of the funds in a deposit account held by such banking institution as security for the benefit of the secured party, without further consent by the Obligated Group.

“Corporate Trust Office” means the office of the Master Trustee at which its principal corporate trust business is conducted, which on the date of issuance of Obligation No. 1 is located at 525 William Penn Place, Pittsburgh, Pennsylvania, 15251.

“Credit Facility” means a financial guaranty insurance policy, line of credit, letter of credit, standby bond purchase agreement or other credit enhancement or liquidity facility established in connection with the issuance of Indebtedness to provide credit or liquidity support for such Indebtedness.

“Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing the Income Available for Debt Service by Annual Debt Service.

“Defeasance Obligations” means, unless modified by the terms of a particular Supplement, (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations, (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, and (v) stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the U.S. Treasury or Resolution Funding Corp. or securities stripped by the Federal Reserve Bank of New York.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers, provision for the payment of the principal of and interest on which shall have been made by irrevocable deposit with a trustee or escrow agent of (i) noncallable, nonprepayable Government Obligations or (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

“Defeased Obligations” means Obligations issued under a Supplement that have been discharged, or provision for the discharge of which has been made, pursuant to the terms of such Supplement.

“Demand Obligation” means any Indebtedness the payment of all or a portion of which is subject to the demand of the holder thereof.

“Derivative Agreement” means, without limitation:

- (a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract;
- (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices;
- (c) any contract to exchange cash flows or payments or series of payments;
- (d) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and
- (e) any other type of contract or arrangement that the Obligated Group determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, or minimize investment risk or to protect against any type of financial risk or uncertainty.

“Derivative Indebtedness” means Indebtedness with respect to which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness.

“Derivative Period” means the period during which a Derivative Agreement is in effect.

“Designated Enterprise Revenues” means, with respect to Health Care and Other Designated Enterprises: all tuition, fees, receipts, revenues, income and other moneys (other than proceeds of borrowing) received or receivable by or on behalf of Health Care or Other Designated Enterprises, including, without limitation, contributions, donations and pledges designated by the donor or grantor to be used by or for such Health Care or Designated Enterprises, whether in the form of cash, securities or other personal property and the rights to receive the same, whether in the form of accounts, payment on tangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof, as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the state of the applicable Health Care and Other Designated Enterprise, any proceeds of the sale of Mortgaged Property, any insurance or condemnation proceeds on the Mortgaged Property, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, and payments associated with Qualified Financial Instruments; provided, however, Designated Enterprise Revenues shall not include gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of a Member of the Obligated Group under a Related Loan Agreement.

“Escrowed Interest” means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Obligations that have been deposited in escrow and have been determined by an independent accounting firm or by a Consultant to be sufficient and available to pay such Escrowed Interest.

“Escrowed Principal” means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Obligations that have been deposited in escrow and have been determined by an independent accounting firm or by a Consultant to be sufficient and available to pay such Escrowed Principal.

“Event of Default” means any one or more of those events set forth in Section 4.01 of the Master Indenture.

“Facility Provider” means the issuer of a Credit Facility with respect to Related Bonds.

“Fiscal Year” means the fiscal year of the Obligated Group Representative, which shall be the period commencing on July 1 of any year and ending on June 30 of the following year, unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

“GAAP” means accounting principles generally accepted in the United States of America, consistently applied.

“Government Obligations” means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“Governmental Restrictions” means limitations relating to maintenance of tax-exempt status.

“Gross Revenues” means all tuition, fees, receipts, revenues, income and other moneys (other than proceeds of borrowing) received or receivable by or on behalf of a Member of the Obligated Group (except as provided below) including, without limitation, contributions, donations, and pledges, whether in the form of cash, securities or other personal property and the rights to receive the same, whether in the form of accounts, payment on tangibles, contract rights, general intangibles, chattel paper, deposit accounts, instruments, promissory notes and the proceeds thereof, as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the state of the applicable Obligated Group Member, and any proceeds from the sale of Mortgaged Property, any insurance or condemnation proceeds on the Mortgaged Property, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, however, (i) with respect to Touro College, Gross Revenues shall include only Designated Enterprise Revenues, and (ii) Gross Revenues shall not include gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to (A) paying debt service on an Obligation or (B) meeting any commitment of a Member of the Obligated Group under a Related Loan Agreement.

“Guaranty” means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group, which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Indenture. For the purposes of the Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Obligated Group shall have executed and delivered its Guaranty shall, so long as no payments are required to be made thereunder and so long as such Guaranty constitutes a contingent liability under GAAP, be deemed to be equal to 20% of the amount which would be payable as principal of and interest on the indebtedness for which a Guaranty shall have been issued during the Fiscal Year for which any computation is being made (calculated in the same manner as the Long-Term Debt Service Coverage Ratio), provided that if there shall have occurred a payment by a Member of the Obligated Group on such Guaranty, then, during the period commencing on the date of such payment and ending on the day which is one year after such other Person resumes making all payments on such guaranteed obligation, 100% of the amount payable for principal and interest on such guaranteed indebtedness during the period for which the computation is being made shall be taken into account.

“Health Care and Other Designated Enterprises” means, collectively, Touro College of Osteopathic Medicine, Touro College of Pharmacy, Touro College of Dental Medicine, Touro College School of Health Sciences, and such other business line or enterprise of Touro College designated by the Obligated Group Representative pursuant to Section 3.14.

“Holder” means an owner of any Obligation.

“Income Available for Debt Service” means, as to any period of time, unrestricted net income or excess of unrestricted revenues over unrestricted expenses (excluding Escrowed Interest) before depreciation, amortization and interest expense, as determined in accordance with GAAP; provided, that no determination thereof shall take into account (a) gifts, grants, bequests, donations or contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of principal of, redemption premium and interest on Indebtedness or the payment of operating expenses; (b) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (c) any gain or loss resulting from the extinguishment of Indebtedness; (d) any gain or loss resulting from the sale, exchange or other disposition of assets not in the ordinary

course of business; (e) any gain or loss resulting from any discontinued operations; (f) any gain or loss resulting from pension terminations, settlements or curtailments; (g) any unusual charges for employee severance; (h) adjustments to the value of assets or liabilities resulting from changes in GAAP; (i) unrealized gains or losses on investments, including “other than temporary” declines in book value; (j) gains or losses resulting from changes in valuation of a Derivative Agreement or similar contract; (k) any payment required to be paid to a counterparty by a Member of the Obligated Group pursuant to a Derivative Agreement in connection with the termination thereof, tax gross-up payments, expenses, default interest, and any other payment or indemnification obligations to be paid to a counterparty by a Member of the Obligated Group (excluding regularly scheduled payments thereon); (l) unrealized gains or losses from the write-down, impairment, reappraisal or revaluation of assets; or (m) other nonrecurring or extraordinary items.

“Indebtedness” means, without duplication, (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations, (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short Term Indebtedness and (iv) Derivative Indebtedness. Indebtedness shall not include Non Recourse Indebtedness.

“Insurance Consultant” means a firm or Person which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for colleges and universities and which is selected by the Obligated Group Representative and is not unacceptable to the Master Trustee; provided that, except with respect to the review of self-insurance programs or of a captive insurance company, the term “Insurance Consultant” shall include qualified in house risk management officers employed by any Member of the Obligated Group or an Affiliate.

“Leverage Ratio” means the ratio set forth in Section 3.07(c) of the Master Indenture.

“Lien” means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property which secures any Indebtedness or any other obligation of an Obligated Group Member or which secures any obligation of any Person, other than an obligation to an Obligated Group Member, and excluding liens applicable to Property in which the applicable Obligated Group Member has only a leasehold interest unless the lien secures Indebtedness.

“Liquidity Ratio” means the quotient (expressed as a percentage) of (i) Unrestricted Resources of the Members of the Obligated Group but with respect to Touro College only Health Care and Other Designated Enterprises, divided by (ii) the aggregate principal amount of all Outstanding Long-Term Indebtedness of the Members of the Obligated Group but with respect to Touro College only Obligations and Indebtedness associated with Health Care and Other Designated Enterprises.

“Long-Term Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service.

“Long-Term Debt Service Requirement” means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof, at the option of the Obligated Group Representative either (a) the amount of principal which would be payable in such period if such principal were amortized over the remaining term to maturity of such indebtedness (not to exceed thirty (30) years), or (b) the term of refinancing if such Indebtedness is subject to a binding commitment for the refinancing of such Indebtedness, in each case with level annual debt service, at a rate of interest equal to that derived from the Bond Index, as determined by an Officer’s Certificate;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness the interest on such Indebtedness shall be calculated at the election of the Obligated Group Representative at either (a) the rate at which is equal to the Bond Index at the time of computation; (b) the average of the actual interest

rates which were in effect for the prior twelve (12) months, or (c) such rate as shall be specified in a written statement from an investment banking firm or financial advisory firm selected by the Obligated Group Representative;

(iii) with respect to any line of credit, to the extent that such line of credit has not been used or drawn upon, the principal and interest relating to such line of credit shall not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any guaranties, in accordance with the Definition of “Guaranty” in Section 1.01 of the Master Indenture;

(v) with respect to Indebtedness for which a Member of the Obligated Group shall have entered into a Derivative Agreement in respect of all or a portion of such Indebtedness, the principal or notional amount of such Derivative Agreement shall be disregarded, and interest on such Indebtedness during any Derivative Period and for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such underlying Indebtedness pursuant to its terms (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued), and (y) the amount of interest payable by such Member of the Obligated Group under the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof; the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement), and subtracting (z) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement (provided that, with respect to new Variable Rate Indebtedness, and the incurrence thereof, the interest rate for such Derivative Agreement for the initial interest rate period shall be the initial rate at which interest is payable under such Derivative Agreement); provided however, that to the extent that the counterparty of any Derivative Agreement is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed; and

(vi) with respect to a Derivative Agreement that does not relate to underlying Indebtedness which has been entered into by any Member of the Obligated Group, the principal or notional amount of such Derivative Agreement shall be disregarded (for so long as the Member of the Obligated Group is not required to make any payment other than interest payments thereon) and interest on such Derivative Agreement during any Derivative Period, for so long as the counterparty of the Derivative Agreement has not defaulted on its payment obligations thereunder, shall be calculated by taking (y) the amount of interest payable by such Member of the Obligated Group at the rate specified in the Derivative Agreement and subtracting (z) the amount of interest payable by the counterparty of the Derivative Agreement at the rate specified in the Derivative Agreement;

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement.

“Long-Term Indebtedness” means all Indebtedness having a maturity longer than one year incurred or assumed by any Member of the Obligated Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which at the date originally incurred are required to be capitalized in accordance with GAAP having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness at the election of the Obligated Group Representative if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and

(v) the current portion of Long-Term Indebtedness.

“Master Indenture” means this Master Trust Indenture, dated as of May 1, 2014, as the same may be amended and supplemented.

“Master Obligations’ Annual Debt Service” means the Long-Term Debt Service Requirement calculated solely with respect to the Obligations for any Fiscal Year.

“Master Obligations’ Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing the Master Obligations’ Income Available for Debt Service by Master Obligations’ Annual Debt Service.

“Master Obligations’ Income Available for Debt Service” means, with respect to the Members of the Obligated Group; provided, however, with respect to Touro College, reflecting only Health Care and Other Designated Enterprises, as to any period of time, (i) net income or excess of revenues over expenses (excluding Escrowed Interest) before depreciation, amortization and interest expense, as determined in accordance with GAAP; provided, that no determination thereof shall take into account (a) gifts, grants, bequests, donations or contributions to the extent specifically restricted by the donor to a particular purposes inconsistent with their use for the payment of principal of, redemption premium and interest on Indebtedness or the payment of operating expenses; (b) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (c) any gain or loss resulting from the extinguishment of Indebtedness; (d) any gain or loss resulting from the sale, exchange or other disposition of assets not in the ordinary course of business; (e) any gain or loss resulting from any discontinued operations; (f) any gain or loss resulting from pension terminations, settlements or curtailments; (g) any unusual charges for employee severance; (h) adjustments to the value of assets or liabilities resulting from changes in GAAP; (i) unrealized gains or losses on investments, including “other than temporary” declines in book value; (j) gains or losses resulting from changes in valuation of a Derivative Agreement or similar contract; (k) any payment required to be paid to a counterparty by the Obligated Group pursuant to a Derivative Agreement in connection with the termination thereof, tax gross-up payments, expenses, default interest, and any other payment or indemnification obligations to be paid to a counterparty by the Obligated Group (excluding regularly scheduled payments thereon); (l) unrealized gains or losses from the write-down, impairment, reappraisal or revaluation of assets; (m) other nonrecurring items or extraordinary items, including the write off of any intercompany receivables or other obligations due to or from Affiliates; or (n) distributions from Members of the Obligated Group to Touro College other than allocations of overhead applied to expenses for non-Obligated Group Members, or (o) realized gains or losses on investments held by Touro College, not specifically designated to support the operations of Health Care and Other Designated Enterprises, plus (ii) payments received by the Master Trustee pursuant to the terms of Qualified Financial Instruments paid by or on behalf of a business line or operating division of Touro College which is not a Member of the Obligated Group or, with respect to Touro College, not a Health Care and Other Designated Enterprise.

“Master Obligations’ Long-Term Debt Service Coverage Ratio” means, for any period of time, the ratio determined by dividing the Master Obligations’ Income Available for Debt Service by Maximum Annual Debt Service on the Obligations.

“Master Trustee” means The Bank of New York Mellon, a banking organization duly organized under the laws of the State of New York, and its successors in the trusts created under the Master Indenture.

“Maximum Annual Debt Service” means the highest Long-Term Debt Service Requirement for the then current or any succeeding Fiscal Year.

“Mortgage” means a mortgage or deed of trust by a Member of the Obligated Group, executed and delivered in order to secure Obligations under the Master Indenture, including amendments or modifications thereto.

“Mortgaged Property” means any and all Property, whether real, personal or mixed, and all rights and interests in and to the Property which is subject to the liens and security interests created under a Mortgage.

“Non-Recourse Indebtedness” means any Indebtedness incurred to finance the purchase of Property secured exclusively by a Lien on such Property or the revenues or net revenues derived from such Property (unless such revenues or net revenues would constitute Gross Revenues) or both, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any Member of the Obligated Group.

“Obligated Group” means, collectively, the Members of the Obligated Group.

“Obligated Group Representative” means Touro College and its legal successors, and thereafter any Person as may be designated pursuant to written notice to the Master Trustee executed by all of the Members of the Obligated Group.

“Obligation” means the evidence of particular Indebtedness issued under the Master Indenture as a joint and several obligation of each Member of the Obligated Group; “Obligation” may also include the evidence of a particular obligation of each Member of the Obligated Group under a Derivative Agreement.

“Officer’s Certificate” means a certificate signed by the Authorized Representative of such Member of the Obligated Group or the Obligated Group Representative as the context requires. Each Officer’s Certificate presented pursuant to the Master Indenture shall state that it is being delivered pursuant to (and shall identify the Section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, the Master Indenture. Each Officer’s Certificate shall state (i) that the terms thereof are in compliance with the requirements of the Section or subsection pursuant to which such Officer’s Certificate is delivered or, in the event of non-compliance, the Officer’s Certificate shall state in reasonable detail the nature of such non-compliance and the steps being taken to remedy such non compliance and (ii) that the Officer’s Certificate is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

“Operating Assets” means any or all land, leasehold interests, buildings, machinery, equipment, hardware, inventory and other tangible and intangible Property owned or operated by a Member of the Obligated Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

“Opinion of Bond Counsel” means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Master Trustee and the Related Bond Issuer.

“Opinion of Counsel” means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for the Obligated Group Representative or any Member of the Obligated Group or other counsel acceptable to the Master Trustee. Except with respect to Sections 3.09(d) and 3.12(c), the Opinion of Counsel may be issued by in-house counsel of a Member of the Obligated Group.

“Outstanding” when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, (iii) Defeased Obligations and (iv) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser; provided, however, that if two or more obligations which constitute Indebtedness represent the same underlying obligation (as when an Obligation under the Master Indenture secures an issue of Related Bonds and another Obligation under the Master Indenture secures repayment obligations to a bank under a letter of credit which secures such Related Bonds) for purposes of calculating compliance with the various financial covenants contained in the Master Indenture, but only for such purposes, only one of such Obligations shall be deemed Outstanding and the Obligation so deemed to be Outstanding shall be that Obligation which produces the greatest amount of principal and interest to be included in the calculation of the Long-Term Debt Service Requirement. Provided, further, however, that for purposes of determining whether the Holders of the requisite

principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under the Master Indenture, Obligations or Related Bonds that are owned by a Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with a Member of the Obligated Group shall be deemed not to be Outstanding, provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent, or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

“Permitted Liens” shall have the meaning given in Section 3.05 of the Master Indenture.

“Permitted Modification” means a modification or amendment of a Mortgage implemented in accordance with the provisions of Section 3.11 of the Master Indenture.

“Permitted Release” means a release from the Liens of the Mortgages of real property, fixtures, equipment, personal property or other property subject to the Mortgages implemented in accordance with the provisions of Section 3.11 of the Master Indenture.

“Person” includes an individual, association, unincorporated organization, limited liability company, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

“Projected Period” means (i) in the case of Indebtedness incurred to finance a capital addition or any repair to Operating Assets, each of the two (2) full Fiscal Years following the date such capital addition or repair is estimated to be installed or completed and (ii) in the case of Indebtedness incurred for any other purpose, each of the two (2) full Fiscal Years following the date such Indebtedness is proposed to be incurred.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible and wherever situated.

“Property, Plant and Equipment” means all Property which is property, plant and equipment under GAAP.

“Qualified Financial Instrument” means a financial instrument pledged to the payment of Obligations by any Health Care and Other Designated Enterprises.

“Related Bond Indenture” means any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

“Related Bond Issuer” means the issuer of any issue of Related Bonds.

“Related Bonds” means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof (i.e. a “Related Bond Issuer”) (“governmental issuer”), pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the Obligated Group Representative or a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer.

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture.

“Related Loan Agreement” means any loan agreement, lease agreement, installment sale agreement or comparable instrument relating to the loan of proceeds (or otherwise making proceeds available) of Related Bonds to a Member of the Obligated Group.

“Revenue Fund” means the fund established pursuant to Section 4.03(c) of the Master Indenture.

“Short-Term Indebtedness” means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Obligated Group, including:

- (i) money borrowed for an original term, or renewable at the option of the Obligated Group Representative for a period from the date originally incurred, of one year or less;
- (ii) leases which at the date originally incurred are capitalized in accordance with GAAP having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and
- (iii) installment purchase or conditional sale contracts having an original term of one year or less.

“SIFMA” means Securities Industry and Financial Markets Association, or successor thereto.

“SIFMA Index” means, as of any particular date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA, or any person acting in cooperation with or under the sponsorship of SIFMA, and effective as of such date.

“Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Total Operating Revenues” means, with respect to the Obligated Group, as to any period of time, total unrestricted operating revenues less all deductions from revenues, as determined in accordance with GAAP consistently applied.

“Touro” means Touro College, together with its successors and assigns and collectively, all related entities whose financial information is included in the consolidated Audited Financial Statements of Touro College.

“Touro College” means the New York not-for-profit education corporation incorporated under the name Touro College.

“Transfer” means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt; provided, however, the expenditure of funds or the acquisition of Property by an Obligated Group Member in the ordinary course of business shall not be deemed a Transfer for purposes of the Master Indenture.

“UCC” means the Uniform Commercial Code of the state of the Obligated Group Representative or as otherwise provided in the Master Indenture, as amended from time to time.

“Unrestricted Resources” means the sum of unrestricted net assets and the portion of temporarily restricted net assets determined in accordance with GAAP which are available to pay debt service, less the difference of net Property, Plant and Equipment and the aggregate principal amount of all Outstanding Long-Term Indebtedness.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

### **Interpretation (*Section 1.02*)**

(a) Any reference herein to any officer or member of the Governing Body of a Member of the Obligated Group or the Obligated Group Representative shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of the Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture, such determination or computation shall be done in accordance with GAAP in effect on, at the sole option of the Obligated Group Representative, (i) the date such determination or computation is made for any purpose of the Master Indenture or (ii) the date of execution and delivery of the Master Indenture if the Authorized Representative delivers an Officer's Certificate to the Master Trustee describing why then current GAAP is inconsistent with the intent of the parties on the date of execution and delivery of the Master Indenture.

(d) Headings of Articles and Sections herein and in the table of contents of the Master Indenture are solely for convenience of reference, do not constitute a part of the Master Indenture and shall not affect the meaning, construction or effect of the Master Indenture.

(e) Provisions calling for the redemption of Obligations or the calling of Obligations for redemption do not mean or include the payment of Obligations at their stated maturity or maturities.

(f) Provisions calling for a forecast shall be deemed satisfied by a forecast which shall be compiled or examined based upon the most likely outcome of a stated set of assumptions that, in the opinion of the Authorized Representative, are reasonable.

(g) Provisions calling for or referring to the delivery by each Member of the Obligated Group of financial statements for any given period shall be deemed satisfied if the combined or consolidated financial statements of such entities for the period in question, prepared in accordance with GAAP, are so delivered.

#### **Amount of Indebtedness (*Section 2.01*)**

Subject to the terms, limitations and conditions established in the Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Indenture or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Indenture are not limited, except as limited by the provisions of the Master Indenture, including Section 3.06, or of any Supplement.

Any Member of the Obligated Group proposing to incur Long-Term Indebtedness, whether evidenced by Obligations issued or by evidences of Indebtedness issued or Guaranties entered into pursuant to documents other than the Master Indenture, shall, at least thirty (30) days prior to the date of the incurrence of such Indebtedness, give written notice of its intention to incur such Indebtedness, including in such notice the amount of Indebtedness to be incurred and the subsection of Section 3.06 of the Master Indenture under which such Indebtedness will be incurred, to the Obligated Group Representative, with copies to the other Members of the Obligated Group, and the Master Trustee. In the event such Indebtedness is either (i) secured by Property of such Obligated Group Member, or (ii) issued in the aggregate principal amount in excess of one million dollars (\$1,000,000), or such greater amount as shall be set forth in a written agreement by or among the Members of the Obligated Group, such Member shall obtain the prior written consent of the Obligated Group Representative, as evidenced by an Officer's Certificate to be delivered to the Master Trustee.

Each Member of the Obligated Group shall be jointly and severally liable for each and every Obligation issued under the Master Indenture.

#### **Appointment of Obligated Group Representative (*Section 2.03*)**

In order to effect the intent of the Master Indenture and to facilitate the benefits to be received by the Members, each Member of the Obligated Group, by becoming a Member of the Obligated Group, irrevocably

appoints the Obligated Group Representative as its agent and true and lawful attorney in fact and grants to the Obligated Group Representative (a) full and exclusive power to execute Supplements authorizing the issuance of Obligations or series of Obligations, (b) full power to execute Obligations for and on behalf of the Obligated Group and each Member of the Obligated Group, (c) full power to execute Supplements on behalf of the Obligated Group pursuant to Sections 6.01 and 6.02 of the Master Indenture and (d) full power to prepare, or authorize the preparation of, any and all documents, certificates or disclosure materials reasonably and ordinarily prepared in connection with the issuance of Obligations under the Master Indenture, or Related Bonds associated therewith, and to execute and deliver such items to the appropriate parties in connection therewith.

### **Supplement Creating Obligations (*Section 2.05*)**

The Obligated Group Representative, on behalf of each Member of the Obligated Group and the Master Trustee, may from time to time enter into a Supplement in order to create an Obligation under the Master Indenture. Such Supplement shall, with respect to an Obligation evidencing Indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of and premium, if any, and interest on such Obligation shall be payable, the provisions regarding discharge thereof, and the form of such Obligation and such other terms and provisions as shall conform with the provisions of the Master Indenture. Any such Obligation shall be secured *pari passu* by the security interest in and pledge of Gross Revenues granted under the Master Indenture, and the Mortgages, and may be secured by such other Properties and revenues of the Obligated Group as may be permitted under the Master Indenture as a Permitted Lien or under the provisions of a Supplement.

### **Conditions to Issuance of Obligations under the Master Indenture (*Section 2.06*)**

With respect to Indebtedness created under the Master Indenture, simultaneously with or prior to the execution, authentication and delivery of Obligations evidencing such Indebtedness pursuant to the Master Indenture:

- (a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Supplement and in the Master Indenture shall have been complied with and satisfied, as provided in an Officer's Certificate, a copy of which shall be delivered to the Master Trustee;
- (b) Each such Officer's Certificate shall contain as an exhibit thereto a listing, giving effect to the issuance of such Obligation, of all Outstanding Obligations and the outstanding principal amount thereof, and a listing of all Long-Term Indebtedness of each Member of the Obligated Group in addition to Obligations;
- (c) The issuer of such Obligations shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (1) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of the Master Indenture or the Supplement under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said Acts have been complied with, and (2) the Master Indenture and the Obligations are duly authorized, executed and delivered and are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles;
- (d) Subsequent to the issuance of Obligation Nos. 1 through 5, the delivery by the Obligated Group Representative to the Master Trustee and Related Bond Issuers, of one of the following:
  - (i) If the proposed Additional Obligations finance the acquisition of Property or improvements to Property not then currently constituting Mortgaged Property, then a Mortgage shall be granted on such Property in an amount equal to the greater of (x) the aggregate principal amount of the associated Additional Obligations, or (y) the Book Value, as projected by the Obligated Group Representative, as of the date of completion of the project financed with the proposed Obligations; or

(ii) If the Additional Obligations finance improvements to Property which then constitutes Mortgaged Property, including for the purpose of refunding or refinancing existing Obligations, all Mortgages with respect to the Mortgaged Property being improved shall be increased by an amount equal to the greater of (x) the aggregate principal amount of the associated Additional Obligations (decreased by the principal amount of Obligations to be refunded or refinanced, if any), or (y) the increase in the Book Value, as projected by the Obligated Group Representative, as of the date of completion of the project financed with the proceeds of the proposed Additional Obligations (if any);

provided, however, with respect to clause (d)(ii) above, no new Mortgage shall be required if the Obligated Group delivers one of the following to the Master Trustee and the Related Bond Issuers: (i) an Opinion of Counsel to the effect that such existing Mortgage is not required to be amended in order to secure the full aggregate principal amount of all Obligations to be Outstanding upon the issuance of the proposed Additional Obligations on a pari passu basis as provided in Section 3.01 of the Master Indenture, or (ii) an “as built” appraisal with respect to the applicable Mortgaged Property to the effect that the value of the applicable Mortgaged Property is less than the stated amount of the applicable Mortgage then in effect.

### **Security; Restrictions on Encumbering Property; Payment of Principal and Interest (*Section 3.01*)**

(a) Any Obligation issued pursuant to the Master Indenture shall be a general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligation according to the terms thereof, whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(b) Grant of Mortgage.

(i) In order to secure the prompt payment of all amounts due on the Obligations issued under the Master Indenture and the performance by the Members of the Obligated Group of their obligations under the Master Indenture, the Members of the Obligated Group, pursuant to each of the Mortgages, grants to the Master Trustee (or to a Related Bond Issuer and assigned to the Master Trustee), for the equal and ratable benefit of the Holders from time to time of all of the Obligations, the Mortgages.

(ii) Upon receipt of a Mortgage or the assignment thereof by a Related Bond Issuer, all such security shall be held by the Master Trustee in trust for the holders from time to time of all Obligations issued and Outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation, with all proceeds realized from such security to be applied, proportionally and ratably to all Obligations issued under the Master Indenture.

(iii) The Mortgages constitute Permitted Liens pursuant to Section 3.05(a)(xxii) of this Master Trust Indenture.

(iv) The Master Trustee may release portions of the Mortgaged Property from the Lien of the Mortgages, or amend or modify any of the Mortgages, at the direction of the Obligated Group Representative as set forth in an Officer’s Certificate demonstrating that any such release is a Permitted Release, or that any such amendment or modification is a Permitted Modification, as provided in the Master Indenture. In the event of any such Permitted Release or Permitted Modification, the Master Trustee shall, upon direction of the Obligated Group Representative as set forth in such Officer’s Certificate, execute a release of its Lien on any such portion of the Mortgaged Property, in order to implement a Permitted Release, or execute any other appropriate instrument or document in order to implement a Permitted Modification.

(v) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in, or a lien on, the Property subject to the Mortgage (except for Permitted Liens or as otherwise may be provided in the Master Indenture).

(c) Pledge of Gross Revenues. To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations under the Master Indenture, each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Gross Revenues. Notwithstanding any contrary term or condition of the Master Indenture or any other document or instrument delivered in connection herewith, Master Trustee hereby expressly acknowledges and agrees that, absent an Event of Default (which has not been cured within the cure periods provided in the Master Indenture): (i) the Gross Revenues shall at all times be under the sole direction and control of the Obligated Group, and each Member of the Obligated Group shall be free to receive and disburse same at any time in any way it sees fit, free of any right or claim thereto by Master Trustee; and (ii) the rents and profits and personal property of the Mortgaged Property shall at all times be under the sole direction and control of the Obligated Group, and each Member of the Obligated Group shall be free to receive and disburse same at any time and in any way it sees fit, free of any right or claim thereto by Master Trustee.

(i) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in, or lien on, the Gross Revenues (except for Permitted Liens or as may be otherwise provided in the Master Indenture).

(ii) If any Event of Default shall have occurred (after expiration of the cure periods provided in the Master Indenture), any Gross Revenues then on deposit in any fund or account of a Member of the Obligated Group or in any comingled fund or account which a Member of the Obligated Group has an interest (unless such account has been pledged as security as permitted in the Master Indenture), and any Gross Revenues thereafter received, shall immediately, upon receipt, be transferred into the Revenue Fund established pursuant to Section 4.03(c) of the Master Indenture. Upon receipt, all such Gross Revenues shall be held by the Master Trustee in trust for the Holders from time to time of all Obligations issued and Outstanding under the Master Indenture, without preference or priority of any one Obligation over any other Obligation, until such time as the Event of Default has been cured, whereupon the Gross Revenues shall be transferred from the Revenue Fund to the Obligated Group.

(iii) In addition to the preceding paragraph, upon an Event of Default (which has not been cured within the cure periods provided in the Master Indenture), the Members of the Obligated Group hereby agree to take no action inconsistent with the pledge, assignment and deposit of Gross Revenues contemplated hereby, and to cooperate in all respects to assure the deposit of such Gross Revenues in the Revenue Fund.

(d) Financing Statements Under the Uniform Commercial Code.

(i) The Master Indenture, to the extent that it covers Gross Revenues and Mortgaged Property, shall be deemed a “security agreement” for purposes of the UCC.

(ii) The Master Trustee’s security interests in the Gross Revenues and the fixtures and equipment on the Mortgaged Property shall be perfected, to the extent that such security interest may be so perfected, by the filing of financing statements which comply with the requirements of the UCC. The Obligated Group Representative shall file, in accordance with the requirements of the UCC, financing statements; and, from time to time thereafter, shall execute and deliver such other documents (including, but not limited to, causing continuation statements to be filed as required by the UCC as set forth in clause (v) below) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain perfected such security interests or give public notice thereof. It is understood by the parties hereto that the Master Trustee shall have no responsibility to file the initial UCC financing statements; provided, however, it shall file continuation statements under the circumstances described in clause (v) below.

(iii) Upon written request from the Obligated Group Representative, the Master Trustee shall take all procedural steps necessary to effect the subordination of its security interest in the Gross Revenues or in fixtures and equipment on the Mortgaged Property granted in the Master Indenture to security interests constituting Permitted Liens only upon the satisfaction of an applicable provision of Section 3.05 of the Master Indenture. Without limiting the definition or scope of “Permitted Liens,” subordination shall not be required for Liens existing on the date of issuance of Obligation No. 1.

(iv) The Obligated Group Representative shall notify the Master Trustee of any change of name and change of address of its chief executive office to enable a new appropriate financing statement or an amendment to be filed in accordance with the requirements of the UCC, in order to maintain the perfected security interest granted in the Master Indenture.

(v) The Obligated Group Representative covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law. In particular, the Obligated Group Representative covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created under the Master Indenture pursuant to applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file, or cause the Obligated Group Representative to prepare and file, such continuation statements in a timely manner to assure that the security interest in Gross Revenues and in fixtures and equipment on the Mortgaged Property shall remain perfected or the public is given notice thereof to the same extent as the filing then in effect.

### **Covenants as to Corporate Existence, Maintenance of Properties, Etc. (Section 3.02)**

Each Member of the Obligated Group hereby covenants:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced in the case of such a cessation by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with all material and applicable laws of the United States, the states where the Members of the Obligated Group conduct business or are otherwise subject, and duly observe and conform to all material and valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it or to its Properties shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof so long as such contest does not impair the lien of any Mortgage.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding under the Master Indenture) whose validity, amount or collectability is being contested in good faith.

(f) To procure and maintain all material and necessary licenses and permits and maintain accreditation of its facilities (other than those of a type for which accreditation is not available) by applicable recognized accrediting body; provided, however, that it need not comply with this Section 3.02(f) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(g) So long as the Master Indenture shall remain in force and effect and so long as all amounts due, or to become due, on any Related Bond have not been fully paid to the holder thereof, not to take any action or suffer any action to be taken by others, including any action which would result in the loss of its status as a Tax-Exempt Organization, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any federally tax-exempt Related Bonds becoming included in the gross income of the holder thereof for federal income tax purposes.

(h) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

### **Insurance (*Section 3.03*)**

Except as may otherwise be required in a Related Loan Agreement, each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks in such amounts and with such deductibles and co-insurance provisions as, in the judgment of its Governing Body, are adequate to protect it and its Property and operations.

The Obligated Group Representative shall engage one or more Insurance Consultants to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially as of June 30), and the Obligated Group shall file a copy of such report as required pursuant to Section 3.10(d) of the Master Indenture. If the Insurance Consultant makes recommendations for the increase of any coverage, the applicable Member of the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of such Member that such recommendations, in whole or in part, are in the best interests of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Member of the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this Section to the contrary, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group Representative furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other higher education institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually.

### **Insurance and Condemnation Proceeds (*Section 3.04*)**

(a) Unless otherwise provided in the Mortgages or Related Loan Agreements, amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Mortgage

Property or as condemnation awards relating to the Mortgaged Property may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Obligation in accordance with the terms thereof and of any pertinent Supplement.

(b) Unless otherwise provided in the Mortgages or Related Loan Agreement, amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss relating to the Mortgaged Property or as condemnation awards relating to the Mortgaged Property shall be applied to repair or replace the Property (with either Property serving the same function or other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Obligations in accordance with the terms thereof and of any pertinent Supplement; provided, however, that subject to the terms of any Related Loan Agreement, such amounts may be used in such other manner as the recipient may determine, if the recipient notifies the Master Trustee and within twelve (12) months after the casualty loss or taking, delivers to the Master Trustee:

(i) (A) An Officer's Certificate of the Authorized Representative certifying the forecasted Master Obligations' Long-Term Debt Service Coverage Ratio for each of the two (2) Fiscal Years following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50, as shown by forecasted financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such forecasted statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Master Obligations' Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (i) of this Section to be not less than 1.10, if in the opinion of the Consultant that a Master Obligations' Long Term Debt Service Coverage Ratio of 1.50 can be attained within three (3) years following of the use of such proceeds and an Officer's Certificate certifying that the recipient will use such proceeds in accordance with the recommendations contained in the Consultant's report.

Additionally, the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law and any Related Loan Agreement and Mortgage, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii), of this Section.

### **Limitations on Creation of Liens (*Section 3.05*)**

Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property (including subordinated liens) constituting Mortgaged Property or Gross Revenues under the Master Indenture now owned or hereafter acquired by it other than Permitted Liens. Property which is not Mortgaged Property or Gross Revenues (by way of example and not limitation, Property of Touro College which are not Designated Enterprise Revenues) are not subject to the limitations set forth in this Section 3.05 and may be encumbered without limitation under the Master Indenture.

(a) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits by any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self insurance or to participate in any funds established to cover any insurance risks or in connection with

workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 180 days; and (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof;

(v) any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under the Master Indenture, which is set forth on the listing of pre-existing encumbrances, provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated not subject to such Lien on such date or to secure Indebtedness not Outstanding on the date of issuance of Obligation No. 1, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(vi) any Lien on Property acquired by any Member of the Obligated Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of Section 3.06 of the Master Indenture, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than a Member of the Obligated Group, and (B) the Lien was not created for the purpose of enabling the Member of the Obligated Group to avoid the limitations of the Master Indenture on creation of Liens on Property under the Master Indenture;

(vii) any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(viii) any Lien in favor of a trustee or other agent on the proceeds of Indebtedness and any earnings thereon created by the irrevocable deposit of such monies for the purpose of refunding Indebtedness;

(ix) any Lien securing all Obligations on a parity basis;

(x) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xi) Liens arising out of capitalized leases, operating leases or purchase money security interests (as defined under the UCC);

(xii) Liens on Property securing Indebtedness incurred to refinance Indebtedness previously secured by a Lien on such Property, provided that (i) the amount of such new Indebtedness (without regard to transaction costs) does not exceed the amount of such refinanced Indebtedness, (ii) the Property securing such Indebtedness is not changed, and (iii) the obligor with respect to such Indebtedness, whether direct or contingent, is not changed;

(xiii) Liens created on amounts deposited by any Member of the Obligated Group pursuant to a security annex or similar document to collateralize obligations of any Member of the Obligated Group under a Derivative Agreement;

(xiv) Liens in favor of banking or other depository institutions arising as a matter of law encumbering the deposits of any Member of the Obligated Group held in the ordinary course of business by such banking institution (including any right of setoff or statutory bankers' liens) so long as such deposit account is not established or maintained for the purpose of providing such Lien, right of setoff or bankers' lien;

(xv) UCC financing statements filed with the Secretary of State (or such other office maintaining such records) of the state of a Member of the Obligated Group in connection with an operating lease entered into by any Member of the Obligated Group in the ordinary course of business so long as such financing statement does not evidence the grant of a Lien other than a Permitted Lien;

(xvi) rights of tenants under leases or rental agreements pertaining to Property, Plant and Equipment owned by any Member of the Obligated Group so long as the lease arrangement is in the ordinary course of business;

(xvii) deposits of Property by any Member of the Obligated Group to meet regulatory requirements for a governmental workers' compensation, unemployment insurance or social security program, other than any Lien imposed by the Employee Retirement Income Security Act of 1974, as amended;

(xviii) deposits to secure the performance of another party with respect to a bid, trade contract, statutory obligation, surety bond, appeal bond, performance bond or lease, and other similar obligations incurred in the ordinary course of business;

(xix) Liens resulting from deposits to secure bids from or the performance of another party with respect to contracts incurred in the ordinary course of business of any Member of the Obligated Group (other than contracts creating or evidencing an extension of credit to the depositor or otherwise for the payment of Indebtedness);

(xx) present or future zoning laws, ordinances or other laws or regulations restricting the occupancy, use or enjoyment of Property, Plant and Equipment;

(xxi) any Lien existing for not more than 14 days after the Obligated Group Representative shall have received notice thereof; and

(xxii) the Mortgages and the pledge of Gross Revenues under the Master Indenture.

### **Limitations on Indebtedness (Section 3.06)**

Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to any one of subsections (a) through (g), inclusive, of this Section 3.06. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Except as may be permitted by Section 2.01 of the Master Indenture, each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Obligated Group Representative, as evidenced by an Officer's Certificate to be delivered to the Master Trustee prior to the incurrence of such Additional Indebtedness and certifying that following the incurrence of such Additional Indebtedness, there shall be no Event of Default under the Master Indenture.

(a) Long-Term Indebtedness that does not constitute Obligations may be incurred if, prior to incurrence of the Long-Term Indebtedness, there is delivered to the Master Trustee:

(i) An Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of an

Officer's Certificate for which there are Audited Financial Statements of Touro available taking into account all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness as if such Long Term Indebtedness had been incurred at the beginning of such period, is not less than 1.25, and further giving effect to the refunding of any Indebtedness with the proposed issuance of Long-Term Indebtedness; or

(ii) (A) an Officer's Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in subsection (a)(i) of this Section 3.06, excluding the proposed Long-Term Indebtedness, is at least 1.40 and (B) a written report of a Consultant demonstrating that the forecasted Long Term Debt Service Coverage Ratio is not less than 1.30 for (1) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two (2) full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (2) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two (2) full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by forecasted financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such forecasted financial statements for the Obligated Group are based; provided, however, that if the report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) Long-Term Indebtedness that constitute Obligations may be incurred if, prior to the incurrence of the Long-Term Indebtedness, there is delivered to the Master Trustee:

(i) An Officer's Certificate certifying that the Master Obligations' Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of an Officer's Certificate for which there are Audited Financial Statements of Touro available, taking into account all Long-Term Indebtedness which are Obligations incurred after such period and the proposed Long-Term Indebtedness which are Obligations as if such Long Term Indebtedness had been incurred at the beginning of such period, is not less than 1.60; or

(ii) (A) an Officer's Certificate demonstrating that the Master Obligations' Long-Term Debt Service Coverage Ratio for the period mentioned in subsection (b)(i) of this Section 3.06, excluding the proposed applicable Long Term Indebtedness, is at least 1.75, and (B) a written report of a Consultant demonstrating that the forecasted Master Obligations' Long-Term Debt Service Coverage Ratio is not less than 1.60 for (1) in the case of applicable Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two (2) full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (2) in the case of applicable Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two (2) full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by forecasted financial statements for the Obligated Group for each such period, accompanied by a statement of the relevant assumptions upon which such forecasted financial statements for the Obligated Group are based.

(c) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness may be incurred if, prior to the incurrence of such Long Term Indebtedness, there is delivered to the Master Trustee an Officer's Certificate demonstrating that; (i) Maximum Annual Debt Service will not increase by more than 15% after the incurrence of such proposed refunding Long-Term Indebtedness, or (ii) after giving effect to the disposition of the proceeds thereof, the Long-Term Debt Service Coverage Ratio would not have been less than 1.25 and the Master Obligations' Long-Term Debt Service Coverage Ratio would not have been less than 1.60 for the prior Fiscal Year on a pro forma basis.

(d) Short-Term Indebtedness may be incurred in the ordinary course of business subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 10% of Total Operating Revenues as reflected in the Audited Financial Statements of Touro for the most recent period of twelve (12) consecutive months for which Audited Financial Statements are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate); and provided further, that there shall be a period of at least ten (10) consecutive calendar days during

each such period of twelve (12) consecutive calendar months for which Audited Financial Statements are available during which Short-Term Indebtedness shall not exceed 3% of Total Operating Revenues. For purposes of this Section 3.06(d), Short-Term Indebtedness shall include any Guaranty of Short-Term Indebtedness.

(e) Non-Recourse Indebtedness may be incurred without limit.

(f) Indebtedness may be incurred in an amount limited to the cost of completion for the purpose of financing the completion of the acquisition or construction of a Capital Addition with respect to which Indebtedness has theretofore been incurred, provided there shall be delivered to the Master Trustee an Officer's Certificate to the effect that (i) the Obligated Group Representative did reasonably expect at the time the initial Indebtedness was incurred that the proceeds of such Indebtedness, together with other available funds, would be sufficient to complete the Capital Addition, and (ii) such additional Indebtedness is expected to be sufficient to complete the Capital Addition.

(g) Indebtedness for the purposes of acquisition of a depreciable asset for a term that does not exceed the useful life of such depreciable asset pursuant to a Capitalized Lease; provided however, that the Capitalized Lease incurred pursuant to this Section 3.06(g), when combined with all other Capitalized Leases issued and Outstanding under this Section 3.06(g), shall not exceed 5% of net Property, Plant and Equipment as reflected in the most recent Audited Financial Statements of Touro.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity shall not be considered Balloon Long-Term Indebtedness, solely by reason of such "put" or "tender" provision, and the put or tender provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this Section 3.06.

#### **Debt Service Coverage Ratio, Leverage Ratio, Liquid Assets Test and Liquidity Ratio (Section 3.07)**

(a) The Obligated Group covenants to maintain a Debt Service Coverage Ratio of Touro based on the Audited Financial Statements of Touro, calculated at the end of each Fiscal Year, of not be less than 1.20; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such first Fiscal Year.

(b) The Obligated Group covenants to maintain a Master Obligations' Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, of not less than 1.50; provided, however, that in any case where applicable Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such first Fiscal Year.

(c) The Obligated Group shall maintain a Leverage Ratio of Touro of not more than 1.50 to 1 based on the Audited Financial Statements of Touro. For purposes of this covenant, Leverage Ratio is defined as total unsubordinated liabilities divided by the sum of unrestricted net assets and temporarily restricted net assets as provided in the applicable Audited Financial Statements of Touro. "Total unsubordinated liabilities" shall exclude accounts payable, accrued liabilities and deferred tuition arising in the ordinary course of business and not overdue beyond such period as is commercially reasonable and shall also exclude liabilities which are not classified as such under GAAP as defined as of the dated date of the Master Trust Indenture with corresponding revisions to assets (at the option of the Obligated Group Representative). This ratio shall be tested semiannually on June 30 and December 31.

(d) The Obligated Group covenants to maintain a minimum of \$50,000,000 in Unencumbered Liquid Assets (as defined below) tested as of the end of each Fiscal Year based on the Audited Financial Statements of Touro. Unencumbered Liquid Assets shall mean the aggregate unencumbered cash and investments of Touro consisting of the following (i) cash and certificates of deposit, (ii) treasury bills and other obligations of the United

States Federal Government, (iii) readily marketable securities, (iv) mutual funds, (v) publicly traded real estate investment trusts, and (vi) investments customarily held by college and university endowments which may be liquidated at their net asset value in no more than forty (40) days pursuant to the legal terms governing liquidation of such investments (the “Unencumbered Liquid Assets Test”). If at any time the Unencumbered Liquid Assets Test is not satisfied, Touro covenants to sell assets or take other appropriate actions within ninety (90) days of the earlier of the date of determination of such non-compliance, or the date of notification to the Obligated Group Representative of such non-compliance, in order to be in compliance with the provisions of this Section 3.07(d).

(e) The Obligated Group covenants to maintain as of the last day of each Fiscal Year, a Liquidity Ratio of not less than forty percent (40%).

(f) If at any time any of the ratios or covenants set forth in subsections (a), (b), (c), (d) or (e) are not satisfied, the Obligated Group covenants to retain a Consultant within thirty (30) days of the delivery of the aforementioned Audited Financial Statements of Touro to make recommendations to bring such ratios or covenants into compliance with the provisions of the Master Indenture, as applicable, in the following Fiscal Year or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained shall be required to submit such recommendations within ninety (90) days after being so retained. Each Member of the Obligated Group agrees that it will, to the extent such recommendations do not violate Governmental Restrictions, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant’s recommendations to the extent such recommendations do not violate Governmental Restrictions, this Section shall be deemed to have been complied with even if non-compliance continues for the following Fiscal Year; provided, however, that the Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this subsection (f) more frequently than biennially, except in the event that the Obligated Group fails to satisfy the requirements of Section 3.07(g) below.

(g) Notwithstanding Section 3.07(f) above, the Members of the Obligated Group covenant to satisfy the following, the failure of either of which shall constitute a covenant violation under the Master Indenture: (i) with respect to Touro, in no event shall both the Long-Term Debt Service Coverage Ratio, as measured by subsection (a) above, be less than 1.00 as of the end of any Fiscal Year, and Touro shall fail to maintain a minimum of \$50,000,000 in Unencumbered Liquid Assets as of the end of such Fiscal Year, or (ii) with respect to the Obligated Group, in no event shall the Master Obligations’ Debt Service Coverage Ratio, as measured by subsection (b) above, be less than 1.00 as of the end of any Fiscal Year.

### **Transfer of Property (*Section 3.08*)**

(a) Each Member of the Obligated Group agrees that it will not Transfer Property in any Fiscal Year (or other 12-month period for which Audited Financial Statements of Touro are available) except for Transfers of Property:

(i) To any Person, provided such Property has become, or within the next succeeding twelve (12) calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(ii) To any Person for any valid corporate purpose, provided there shall be delivered to the Master Trustee prior to such Transfer an Officer’s Certificate certifying that: (A) the Obligated Group is in compliance with Section 3.07 of the Master Indenture, and (B) the Obligated Group is not in default in the performance of any covenant contained in the Master Indenture;

(iii) To any Person, if the aggregate Book Value of the Property Transferred pursuant to this subsection (iii) in the current Fiscal Year does not exceed 5% of the Book Value of all Property of the Obligated Group for the most recent Fiscal Year;

(iv) To any Person, if the Property transferred pursuant to this subsection (iv) was transferred at fair and reasonable terms, no less favorable to the Obligated Group, which could have been attained in a comparable arms-length transaction; or

(v) Transfers to any other Obligated Group Member without limitation.

(b) In the event the Property to be Transferred is Mortgaged Property (unless such Transfer is between Members of the Obligated Group in satisfaction of 3.08(a)(v) above), the Obligated Group shall deliver to the Master Trustee and the applicable Related Bond Issuer, (i) evidence that the Obligated Group has received fair market value for the Mortgaged Property accompanied by a fair market valuation report relating to the Mortgaged Property to be Transferred prepared by an appraiser selected (and paid for) by the Obligated Group, and (ii) in the event the Mortgaged Property was financed with the proceeds of Related Bonds, an Opinion of Bond Counsel to the effect that the transfer of the Mortgaged Property will not adversely affect the exclusion of interest on the Related Bonds from gross income for federal income tax purposes.

(c) With respect to a Transfer to any entity whose financial information is consolidated into the Audited Financial Statements of Touro and which is not a Member of the Obligated Group, notwithstanding Section 3.08(a) above, a Member of the Obligated Group may Transfer cash or cash equivalents to such entities or pay expenses or other obligations of such entity provided: (i) the Obligated Group Representative reasonably believes that such Transfer will not cause a violation of any of Section 3.07(a), (b), (c), (d) or (e) of the Master Indenture and (ii) such Transfer is accompanied by a corresponding account receivable or other evidence of a receivable from the transferee or a reduction of an account payable to the transferee. Any account receivable created pursuant to clause (ii) of the preceding sentence shall not be written-off or otherwise compromised in value without satisfaction of Section 3.08(a)(ii) or (iii) of the Master Indenture.

**Consolidation: Merger Sale or Conveyance (Section 3.09)**

(a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or convey all or substantially all of its assets to any Person unless:

(i) Either a Member of the Obligated Group will be the successor, or if the successor is not a Member of the Obligated Group, such successor shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and any Supplement hereto; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof for federal income tax purposes have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that, under then existing law, the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for federal income tax purposes; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating that (A) if such merger, consolidation or sale of assets had occurred at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements of Touro are available, the Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.25 and the Master Obligations' Long-Term Debt Service Coverage Ratio for such period would have been not less than 1.60, (B) if such merger, consolidation or sale of assets had occurred at the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements of Touro are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate), the conditions described in Section 3.06(a)(i) or 3.06(a)(ii) of the Master Indenture would have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, and (C) the

unrestricted net assets plus temporarily restricted net assets of the successor, resulting or acquiring corporation, as the case may be, after giving effect to said merger or consolidation, or sale or conveyance of assets, is not less than 100% of the unrestricted net assets plus temporarily restricted net assets of the Member of the Obligated Group which was merged into, consolidated with or whose assets were acquired by, such successor corporation as reflected in the most recent Audited Financial Statements of Touro.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such predecessor or had become a Member of the Obligated Group pursuant to this Section, as the case may be. Subject to Section 2.01, such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable under the Master Indenture; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in the Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance, such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under the Master Indenture as may be appropriate.

(d) In the event that the Officer's Certificate described in subsection (a)(iv) of the Master Indenture has been delivered, the Master Trustee may accept an Opinion of Counsel (not in-house counsel of a Member of the Obligated Group in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

(e) Any Indebtedness previously incurred by the Person or successor corporation becoming a Member of the Obligated Group pursuant to this Section 3.09 shall be permitted to remain Outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect if such Indebtedness could have been incurred pursuant to the provisions of Sections 3.06 of the Master Indenture immediately after such Person or successor corporation became a Member of the Obligated Group.

(f) All references herein to successor corporations shall be deemed to include the surviving corporation in a merger.

### **Filing of Audited Financial Statements; Certificate of No Default; Other Information (Section 3.10)**

The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred eighty (180) days after the end of each Fiscal Year, file with the Master Trustee, each Related Bond Issuer and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements of Touro as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with GAAP and shall include such statements necessary for a fair presentation of the consolidated financial position, consolidated statement of activities and changes in consolidated net assets and cash flows for such fiscal reporting period of Touro College and its Affiliates and shall be accompanied by supplementary consolidating schedules for the consolidated statements of financial position and activities and combining schedules setting forth information for each Member of the Obligated Group individually and aggregating the financial position and statement of activities for the Members of the Obligated Group. With respect to Touro College, such Obligated Group schedules shall include only the operations constituting Health Care and Other Designated Enterprises. In addition, with respect to Touro College the operations constituting Health Care and Other

Designated Enterprises shall be set forth separately from other entities comprising Touro College in such combining schedules.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred eighty (180) days after the end of each Fiscal Year, file with the Master Trustee, each Related Bond Issuer and with each Holder who may have so requested or on whose behalf the Master Trustee may have so requested, an Officer's Certificate stating the ratios set forth in Section 3.07 for such fiscal reporting period accompanied by the calculations thereof and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in the Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee and each Related Bond Issuer such other financial statements and information concerning its operations and financial affairs (or of any consolidated or Obligated Group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, education records, student records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within thirty (30) days after its receipt of a Consultant's report or Insurance Consultant's report under the Master Indenture, the Obligated Group shall file with the Master Trustee and each Related Bond Issuer a copy of each such report.

(e) Provide written notice to the Master Trustee not later than ten (10) business days after actual knowledge of a default on any Indebtedness that is not an Obligation under the Master Indenture.

Except as set forth in Section 5.01(a)(ii) of the Master Indenture, the Master Trustee has no duty to review financial statements, is not considered to have notice of the content of such statements or a default based on such content, and does not have a duty to verify the accuracy of such statements.

### **Permitted Releases and Permitted Modifications with Respect to the Mortgages (*Section 3.11*)**

(a) The Mortgages have been assigned or granted to the Master Trustee as additional security for Obligations issued and to be issued under the Master Indenture. The Obligated Group covenants that, except for Permitted Releases described in paragraph (b) of this Section 3.11 (which Permitted Releases shall also include a release to implement a sale and leaseback of a portion of the Mortgaged Property), the Obligated Group shall not release or allow the release of any of the Mortgaged Property encumbered by the Mortgages from the Lien of such Mortgages. The Obligated Group also covenants that, except for Permitted Modifications described in paragraph (c) of this Section 3.11, the Obligated Group shall not modify or amend any of the Mortgages.

(b) Permitted Releases shall include only the following:

(1) a release made with respect to a portion of the Mortgaged Property that is to be disposed of in conjunction with a Transfer of Property permitted under Section 3.08 of the Master Indenture, including, but not limited to, a release made with respect to machinery, equipment, fixtures or other personal property located on the Mortgaged Property if such property would be eligible to be disposed of pursuant to the provisions of Section 3.08(a) of the Master Indenture, or in order to implement a permitted financing or a sale and leaseback with respect to such machinery, equipment, fixtures or other personal property, or a sale and leaseback with respect to a portion of the Mortgaged Property; or

(c) Permitted Modifications shall include only the following:

(1) a modification or amendment to a Mortgage to cure any ambiguity or formal defect or omission therein; or

(2) a modification or amendment to a Mortgage to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other modifications or amendments with respect to matters or questions arising under such Mortgage which shall not materially alter the security provided pursuant to such Mortgage; or

(3) a modification or amendment to a Mortgage to grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon the Holders; or

(4) a modification or amendment to a Mortgage to make any necessary or appropriate changes, including but not limited to the aggregate principal amount of Indebtedness secured thereunder, to reflect the issuance of additional Obligations in accordance with the provisions of Section 3.06 of the Master Indenture or the granting of a Permitted Lien under the Master Indenture; or

(5) a modification or amendment to a Mortgage, or a consent with respect thereto, to implement any necessary or appropriate changes to reflect matters relating to zoning, land use, environmental and other real property laws, ordinances, rules or regulations that in substance do not alter the security provided pursuant to such Mortgage; or

(6) a modification to amend a Mortgage as provided in Section 2.06(d) of the Master Indenture.

(d) The Master Trustee, at the direction of the Obligated Group Representative as set forth in an Officer's Certificate, shall cooperate with the Obligated Group and execute any and all documents or instruments in order to promptly implement any such Permitted Release or Permitted Modification. In addition, the Master Trustee, at the direction of the Obligated Group Representative as set forth in an Officer's Certificate, shall grant such consents and approvals, and shall subordinate the Lien on a portion of the Mortgaged Property to such easements or other non-monetary encumbrances, as the Obligated Group may from time to time request; provided that any such action does not materially impair the Lien of the applicable Mortgage on the Mortgaged Property nor materially diminish the value or utility of the Mortgaged Property.

### **Parties Becoming Members of the Obligated Group (*Section 3.12*)**

Persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted by Section 3.09 of the Master Indenture may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under the Master Indenture and any Supplements and thereby become subject to compliance with all provisions of the Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, (ii) to adopt the same Fiscal Year as that of the Members of the Obligated Group, and (iii) to unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Indenture will be paid in accordance with the terms thereof and of the Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, and each Related Bond Issuer, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances and that the obligations of such Person or successor corporation created thereunder include the requirements described in subsection (a).

(c) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof for purposes of federal income taxation have not been paid to the Holders thereof; there shall be filed with the Master Trustee, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee (not in-house counsel of a Member of the Obligated Group in this case), to the effect that the consummation of such transaction would not require the registration of any Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said Acts have been complied with.

(d) An Officer's Certificate of the Obligated Group Representative shall be provided to the Master Trustee demonstrating that (i) after giving effect to the admission of such Person as a Member of the Obligated Group, (x) the unrestricted net assets plus temporarily restricted net assets of such Person and the unrestricted net assets plus temporarily restricted net assets of the Obligated Group is not less than 100% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Person shall become a member of the Obligated Group, and (y) the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements of Touro are available would not, if such admission had occurred at the end of such period, be reduced by more than 35%, provided; however, that in no event shall such ratio be reduced to less than 1.60, (ii) the conditions described in Section 3.06(a)(i) or 3.06(a)(ii) of the Master Indenture have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member at the beginning of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements of Touro are available (which period of twelve (12) full consecutive months shall have ended not more than eighteen (18) calendar months prior to the date of the Officer's Certificate), and (iii) the covenants set forth in Sections 3.07(c) and 3.07(e) of the Master Indenture have been satisfied as of the end of the most recent Fiscal Year, assuming that the Person or corporation which is becoming a Member of the Obligated Group had become a Member of the Obligated Group at the beginning of the most recent Fiscal Year.

(e) Any Indebtedness previously incurred by a new Member of the Obligated Group shall be permitted to remain Outstanding, and any lien or security interest securing such Indebtedness shall be permitted to remain in effect if such Indebtedness could have been incurred pursuant to the provisions of Section 3.06(a) or (b) of the Master Indenture immediately after such Person became a Member of the Obligated Group.

### **Withdrawal from the Obligated Group (Section 3.13)**

(a) No Member of the Obligated Group may withdraw from the Obligated Group unless (x) all Obligations for which such Member is the primary obligor, as evidenced by a Related Loan Agreement with a Related Bond Issuer or similar instrument, are cancelled or are otherwise no longer Outstanding under the Master Indenture, and (y) there is delivered to the Master Trustee and all Related Bond Issuers the prior written consent of the Obligated Group Representative, which may be withheld in the sole and absolute discretion of the Obligated Group Representative; and provided further, that prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof for purposes of federal income taxation have not been paid to the holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof for purposes of federal income taxation;

(ii) (A) an Officer's Certificate of the Obligated Group Representative demonstrating that (1) the conditions described in Section 3.06(a)(i) or 3.06(a)(ii) of the Master Indenture have been satisfied for the incurrence of an additional one dollar (\$1.00) of Additional Indebtedness, assuming such withdrawal to have occurred at the end of the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements of Touro are available, (2) the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements of Touro are available (x) would not, if such withdrawal had occurred at the end of such period, be reduced by more than 35%, provided; however, that in no event shall such ratio be reduced to less than 1.60, or (y) would be greater than in the absence of such withdrawal, and (3) after giving effect to the withdrawal of such Member of the Obligated Group, the unrestricted net assets plus temporarily restricted net assets of the Obligated Group is not less than 100% of the unrestricted net assets plus temporarily restricted net assets of the Obligated Group at the end of the Fiscal Year immediately preceding the year in which such Member of the Obligated Group withdraws from the Obligated Group; or (B) a written report of a Consultant demonstrating that the forecasted average Master Obligation's Long-Term Debt Service Coverage Ratio for the two (2) periods of twelve (12) full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 1.75; provided, however, that compliance with the test set forth in clause (B) above may be evidenced by an Officer's Certificate of the Obligated Group Representative in lieu of a Consultant's report where the Master Obligation's Long-Term Debt Service Coverage Ratio for each of the two (2) periods of twelve (12) full consecutive calendar months succeeding the proposed date of such withdrawal is greater than 2.00 and not less than 65% of what it would have been were such withdrawal not to take place, assuming such withdrawal had occurred on the first day of the most recent twelve-month period for which Audited Financial Statements of Touro are available; and

(iii) an Opinion of Counsel, addressed to the Master Trustee and the applicable Related Bond Issuer, to the effect that such withdrawal does not violate Governmental Restrictions and the provisions of the Master Indenture and any agreements or other documents relating to the Master Indenture, the Obligations or the Related Bonds.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant hereto shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall automatically cease without further notice or instrument.

#### **Designation and Un-Designation of Health Care and Other Designated Enterprises (*Section 3.14*)**

(a) The Obligated Group Representative may at any time designate a business line or operating division of Touro College as a Health Care and Other Designated Enterprise by submission to the Master Trustee of an Officer's Certificate specifying the business line or operating division and certifying that upon such designation the covenants and ratios set forth in Sections 3.07(a), (b), (c) and (e) shall be satisfied upon such designation.

(b) [RESERVED]

(c) The Obligated Group Representative may un-designate a Health Care and Other Designated Enterprise of Touro College by submission to the Master Trustee the following:

(i) an Officer's Certificate certifying that upon such un-designation, the covenants and ratios set forth in Section 3.07(a), (b), (c) and (e) shall be satisfied;

(ii) the Opinion of Bond Counsel set forth in Section 3.13(a)(iii) is delivered with respect to the un-designation of the Health Care and Other Designated Enterprise; and

(iii) an Officer's Certificate certifying that upon such un-designation, the pro forma Master Obligation's Long-Term Debt Service Coverage Ratio for the most recent prior Fiscal Year would not have been lower if such un-designated Health Care and Other Designated Enterprise had not been included in the Obligated Group (adjusted for any redemptions of Obligations associated with un-designating such Health Care and Other Designated Enterprise) and a forecast provided by a Consultant demonstrating that the

Master Obligation's Long-Term Debt Service Coverage Ratio would not have been lower for the then current and following Fiscal Years than if such un-designated Health Care and Other Designated Enterprise had not been included in the Obligated Group (adjusted for any redemptions of Obligations associated with un-designating such Health Care and Other Designated Enterprise).

#### **Events of Default (*Section 4.01*)**

Event of Default, as used herein, shall mean any of the following events:

(a) the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest on any Obligations issued and Outstanding under the Master Indenture when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture or of any Supplement and such default is not cured within ten (10) days of the Obligated Group's receipt of written notice from the Master Trustee;

(b) (i) any Obligated Group Member shall fail duly to perform, observe or comply with any covenant or agreement on its part under the Master Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group and the Obligated Group Representative by the Master Trustee, or to the Members of the Obligated Group, the Obligated Group Representative and the Master Trustee by the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding, or by any Facility Provider, if any, with respect to an Obligation or Related Bonds; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected; or

(ii) if the Obligated Group shall fail to comply with the covenants contained in Section 3.07(f), written notice of such failure by the Master Trustee shall be deemed to have been given on the date of delivery of the Audited Financial Statements to the Master Trustee and each Related Bond Issuer as required by Section 3.10(a) herein, whether or not such written notice was actually given;

(c) an event of default shall occur under a Related Bond Indenture, under a Related Loan Agreement, upon a Related Bond or under a Mortgage that secures any Obligation issued under the Master Indenture and such default is not cured within ten (10) days of the Obligated Group's receipt of written notice from the Master Trustee;

(d) (i) any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding under the Master Indenture), which Indebtedness is in an aggregate principal amount greater than \$2,500,000, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or (ii) there shall occur an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than \$2,500,000, whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default, such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within forty-five (45) days of receipt of written notice from the Master Trustee (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is diligently contesting in good faith the payment of such Indebtedness and (ii) such Member of the Obligated Group commences good faith diligent proceedings to contest the obligation to pay such Indebtedness, and if a judgment relating to such Indebtedness has been entered against any Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness and the lien of any Mortgage is not adversely affected;

(e) the entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member of the Obligated Group under the United States Bankruptcy Code or any other similar applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of any Member of the Obligated Group or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(f) the institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

**Acceleration; Annulment of Acceleration (*Section 4.02*)**

(a) Upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may, and, upon the written request of the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding, shall, by thirty (30) days' notice to the Members of the Obligated Group, declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other Section of the Master Indenture to the contrary notwithstanding. In the event Obligations are accelerated, there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable (excluding accelerated principal) by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied or waived pursuant to Section 4.09 of the Master Indenture, then the Master Trustee may, and upon the written request of Holders of not less than a majority in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon absent good cause as determined by the Master Trustee.

### **Additional Remedies and Enforcement of Remedies (Section 4.03)**

(a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Obligations Outstanding, or upon the request of any Facility Provider with respect to any series of Obligations or Related Bonds, shall, together with indemnification of the Master Trustee to its satisfaction therefor, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;
- (ii) bring suit upon all or any part of the Obligations;
- (iii) bring civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;
- (iv) bring civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;
- (v) enforcement of rights as a secured party under the UCC;
- (vi) enforcement of any Mortgage or Mortgages granted by any Member of the Obligated Group to secure one or more Obligations in such order as the Master Trustee may elect;
- (vii) enforcement of any other right of the Holders conferred by law or hereby; and
- (viii) seek a deficiency judgment following any foreclosure or deed of trust sale of any Mortgaged Property.

In foreclosing on the Mortgage, the Master Trustee shall be entitled to indemnity to its satisfaction as set forth in Section 5.02(e) of the Master Indenture, subject to the limitations set forth in Section 5.01(c) of the Master Indenture.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding, or any Facility Provider with respect to a series of Obligations or Related Bonds, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

(c) Upon the occurrence of an Event of Default, the Master Trustee may, and if requested in writing by the Holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding, or any Facility Provider with respect to a series of Obligations or Related Bonds, realize upon any security interest which the Master Trustee may have in Gross Revenues and shall establish and maintain a Revenue Fund into which shall be deposited all Gross Revenues as and when received. All amounts deposited into the Revenue Fund shall be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplement for application (i) to the payment of the reasonable and necessary operating expenses of the Obligated Group, all in accordance with budgeted amounts proposed by the Obligated Group Representative, (ii) to the payment of the principal or redemption price of, and interest on, all Obligations in accordance with their respective terms, and (iii) to such other amounts as may be required by the Master Indenture and any Supplement hereto. Pending such application, all such moneys and investments in the Revenue Fund shall be held for the equal and ratable benefit of all Obligations outstanding; provided, that amounts held in the Revenue Fund for making of debt service payments

on or after the due date for Obligations shall be reserved and set aside solely for the purpose of making such payment. In addition, with regard to Gross Revenues, the Master Trustee may take any one or more of the following actions: (i) during normal business hours and upon reasonable notice enter the offices or facilities of any Member of the Obligated Group and examine and make copies of the financial books and records of any Member of the Obligated Group relating to the Gross Revenues and take possession of all checks or other orders for payment of money and moneys in the possession of the Obligated Group representing Gross Revenues or proceeds thereof, (ii) notify any account debtors obligated on any Gross Revenues to make payment directly to the Master Trustee, (iii) following such notification to account debtors, collect, or, in good faith compromise, settle, compound or extend amounts payable as Gross Revenues which are in the form of accounts receivable or contract rights from the account debtors of each Member of the Obligated Group by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Member whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee, (iv) forbid any Member of the Obligated Group to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon, or (v) endorse in the name of the applicable Member any checks or other orders for the payment of money representing any unpaid assigned Gross Revenues or the proceeds thereof. In the event the Obligated Group cures the alleged Event of Default, the Master Trustee shall transfer the Gross Revenues from the Revenue Fund to the Obligated Group.

#### **Application of Moneys after Default (Section 4.04)**

During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Bond Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes to retain such status under the Code, all Gross Revenues and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee pursuant to Section 5.05 of the Master Indenture in accordance with the provisions of Section 4.03(c) of the Master Indenture, and with respect to the payment Obligations thereunder, as follows:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: to the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all unpaid principal installments of Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference; and

Third: to the extent there exists a Facility Provider with respect to any series of Obligations or Related Bonds, amounts owed to such Facility Provider by the Obligated Group and not otherwise paid under clauses First and Second above.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon Obligations 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 Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Moneys held in the Revenue Fund shall be invested in Government Obligations which mature or are redeemable at the option of the holder of such Government Obligations not later than such times as shall be required to provide moneys needed to make the payments or transfers therefrom. Subject to the foregoing, such investments shall be made in accordance with an Officer's Certificate directing the Master Trustee in writing to make specific investments. Unless otherwise provided in the Master Indenture, the Master Trustee shall sell or present for redemption any Government Obligations so acquired whenever instructed to do so pursuant to an Officer's Certificate or whenever it shall be necessary to do so to provide moneys to make payments or transfers from the Revenue Fund. The Master Trustee shall not be liable or responsible for making any such investment in the manner provided above and shall not be liable for any loss resulting from any such investment. Any investment income derived from any investment of moneys on deposit in the Revenue Fund shall be credited to the Revenue Fund and retained therein until applied to approved purposes.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

#### **Remedies Not Exclusive (*Section 4.05*)**

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Indenture or existing at law or in equity or by statute on or after the date of the Master Indenture, and the exercise by the Master Trustee of any particular remedy shall not be deemed to be an election of remedies by the Master Trustee or to preclude the subsequent or simultaneous exercise of any other remedy. To the fullest extent permitted by applicable law, each member of the Obligated Group waives and covenants not to assert any provision of law or equitable principle inconsistent with or that would preclude the foregoing provisions of this Section 4.05.

#### **Remedies Vested in the Master Trustee (*Section 4.06*)**

All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.04 of the Master Indenture, any recovery or judgment shall be for the equal benefit of the Holders.

#### **Holders' Control of Legal Proceedings (*Section 4.07*)**

If an Event of Default shall have occurred and be continuing, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in

writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Indenture, and is not unduly prejudicial to the interest of any Holders not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by the Holders, provided, further, however, that any Facility Provider, if any, with regard to any series of Obligations or any series of Related Bonds secured by Obligations, and not the Holders, may have the right to control proceedings with respect thereto in the manner described in this Section if so provided within the Related Indenture.

#### **Termination of Legal Proceedings (*Section 4.08*)**

In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

#### **Waiver of Event of Default (*Section 4.09*)**

No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture. The Master Trustee may also prospectively waive an Event of Default, provided the Obligated Group Representative demonstrates good cause.

Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02 of the Master Indenture, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon absent good cause as determined by the Master Trustee.

#### **Appointment of Receiver (*Section 4.10*)**

Upon the occurrence of any Event of Default, unless the same shall have been waived or cured as herein provided the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance of the Master Indenture or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group hereby consents and agrees, and

will if requested by the Master Trustee consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as Members of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

#### **Remedies Subject to Provisions of Law (Section 4.11)**

All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions of the Master Indenture invalid or unenforceable under the provisions of any applicable law. The foregoing shall not be construed as impairing any valid waiver of applicable law.

#### **Notice of Default (Section 4.12)**

The Master Trustee shall, within ten (10) days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in the bankruptcy provisions of subsections (e) and (f) of Section 4.01, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

#### **Certain Duties and Responsibilities (Section 5.01)**

- (a) Except during the continuance of an Event of Default:
  - (i) the Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture, and no implied covenants or obligations shall be read into the Master Indenture against the Master Trustee; and
  - (ii) in the absence of negligence or willful misconduct on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of the Master Indenture; but in the case of any such certificates or opinions which by any provision of the Master Indenture are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Master Indenture.
- (b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his/her own affairs, including but not limited to consultation with counsel qualified to advise the Master Trustee regarding the exercise of Mortgage remedies in each jurisdiction where Mortgaged Property is located.
- (c) No provision of the Master Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:
  - (i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;
  - (ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president (however designated), the secretary,

any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer or employee of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, any other officer or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under the Master Indenture, except under the circumstances set forth in subsection (c) of Section 4.09 of the Master Indenture requiring the consent of the Holders of all the Obligations at the time Outstanding; and

(iv) no provision of the Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial or other liability, directly or indirectly, in the performance of any of its duties under the Master Indenture (other than its obligation to give notice of Events of Default), or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of the Master Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

#### **Removal and Resignation of the Master Trustee (*Section 5.04*)**

The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder by first class mail at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee howsoever appointed under the Master Indenture shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment under the Master Indenture, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies

thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties under the Master Indenture, shall mail a notice of such assumption to each registered Holder.

### **Compensation and Reimbursement (*Section 5.05*)**

Each Member of the Obligated Group respectively agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it under the Master Indenture (which compensation shall be agreed to in writing between the Obligated Group Representative and the Master Trustee, but shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee, including fees on collection and enforcement, in accordance with any provision of the Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust or its duties under the Master Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Master Indenture. The Obligated Group shall not be required to indemnify Master Trustee for claims or losses arising out of or relating in any way to Master Trustee's negligence or willful misconduct, as set forth above.

As security for the performance of the Members of the Obligated Group and the Holders under this Section, the Master Trustee shall have a lien prior to any Obligations upon all property and funds held or collected by the Master Trustee as such, except funds held in trust for the payment of principal of or interest or premium on Obligations.

### **Supplements Not Requiring Consent of Holders (*Section 6.01*)**

Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein.

(b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a).

(d) To qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the issuance of Indebtedness as permitted under the Master Indenture (upon issuance of an Officer's Certificate and Opinion of Counsel and in conformity with all other requirements and conditions of the Master Indenture), including the issuance of any Additional Obligations related to such Indebtedness.

- 3.12. (f) To obligate a successor to any Member of the Obligated Group as provided in Section 3.12.
- (g) To comply with the provisions of any federal or state securities law.
- (h) To add additional covenants and agreements of the Obligated Group, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Obligated Group contained in the Master Indenture.

The Master Trustee shall provide copies of each Supplement entered into pursuant to this Section 6.01 to all Related Bond Issuers.

#### **Supplements Requiring Consent of Holders (*Section 6.02*)**

Other than Supplements referred to in Section 6.01 of the Master Indenture and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular way, any of the terms or provisions contained in the Master Indenture; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

- (a) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation, a change in the redemption provisions of the Obligation, or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation; or
- (b) except as otherwise permitted in the Master Indenture or any existing Supplement, permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or
- (c) reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement, and if the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount of Obligations specified in this Section 6.02 for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 of the Master Indenture. At any time after the Holders of the required principal amount of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with the Obligated Group Representative a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed

If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or a Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

#### **Execution and Effect of Supplements (*Section 6.03*)**

(a) In executing any Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

(b) Except as otherwise set forth in such Supplement, upon the execution and delivery of any Supplement in accordance with this Article, the provisions of the Master Indenture shall be modified in accordance therewith and such Supplement shall form a part of the Master Indenture for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered under the Master Indenture shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the issuer of any series of Obligations then Outstanding or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of such issuer to any such Supplement may be prepared and executed by the issuer and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

#### **Evidence of Acts of Holders (*Section 8.01*)**

(a) Except as otherwise provided in a Related Bond Indenture, in the event that any request, direction or consent is requested or permitted under the Master Indenture of the Holders of any Obligation securing an issue of Related Bonds, (i) each Related Bond Issuer shall be deemed to be such Holder for the purpose of any such request, direction or consent, or (ii) in the event such series of Related Bonds or Obligation is secured by a Credit Facility, so long as the issuer of such Credit Facility is not then in default on its obligations under such Credit Facility, the Facility Provider shall be deemed to be the Holder of such Obligation or Obligations pledged as security for such Related Bonds.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing.

(i) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes of the Master Indenture and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely;

(ii) the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(iii) the ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(c) Nothing in this Section shall be construed as limiting the Master Trustee to the proof herein specified, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

(d) Any action taken or suffered by the Master Trustee pursuant to any provision of the Master Indenture upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

(e) In the event that any request, direction or consent is requested or permitted under the Master Indenture of the Holders of an Obligation that constitutes a Guaranty, for purposes of any such request, direction or consent, the principal amount of such Obligation shall be deemed to be the stated principal amount of such Obligation.

#### **SUPPLEMENTAL MASTER TRUST INDENTURE**

In addition to the covenants set forth in the Master Trust Indenture, the Supplemental Master Trust Indentures for Obligation Nos. 1, 2 and 6 contain the following additional covenants which shall be applicable so long as Obligation Nos. 1, 2 or 6 remain Outstanding:

(a) Any Consultant retained by the Obligated Group pursuant to Section 3.07(f) of the Master Indenture shall be acceptable to the Dormitory Authority of the State of New York (“DASNY”).

(b) In addition to the limitations set forth in Section 3.08 of the Master Indenture, the Obligated Group shall not release or cause the release of any real property subject to any Mortgage securing Related Bonds without the prior written consent of DASNY.

(c) Touro University, Touro University Nevada and New York Medical College may not withdraw from the Obligated Group without the prior written consent of DASNY.

(d) The Obligated Group covenants that with respect to the transactions governed by Section 3.14(c), in addition to the provisions thereof, Touro may not un-designate Touro College of Osteopathic School (TUCOM), Touro College of Pharmacy or the Touro College of Health Sciences without the prior written consent of DASNY.

**APPENDIX F**

**PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS**

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APPENDIX F

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP,  
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2017 BONDS

Upon delivery of the Series 2017 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 have acted 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”), in connection with the issuance of the Authority’s \$64,015,000 aggregate principal amount of Touro College and University System Obligated Group Revenue Bonds, Series 2017 (the “Series 2017 Bonds”).

The Series 2017 Bonds are issued under and pursuant to the Act, the Touro College and University System Obligated Group Revenue Bond Resolution adopted by the Authority on May 14, 2014 (the “Bond Resolution”) and the Series 2017 Resolution Authorizing Up To \$75,000,000 Touro College and University System Obligated Group Revenue Bonds, Series 2017 adopted by the Authority on December 6, 2017 (the “Series 2017 Resolution”). The Bond Resolution and the Series 2017 Resolution are herein collectively referred to as the “Resolutions.”

The Series 2017 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 Resolutions) of the Authority fixing the terms and details of the Series 2017 Bonds.

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 Resolutions create the valid pledge which they purport to create of the proceeds of the sale of the Series 2017 Bonds, the Revenues and all funds and accounts established by the Series 2017 Resolution other than the Arbitrage Rebate Fund (as such terms are defined in the Resolutions), 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 2017 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 2017 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 2017 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2017 Bonds.

5. The Loan Agreement between the Authority and Touro College (the "Institution"), dated as of December 6, 2017 (the "Loan Agreement"), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Institution, and the enforcement of the Loan Agreement against the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with their terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2017 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2017 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, each of the Institutions, as applicable, and others, and we have assumed compliance by the Authority and the Institution with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2017 Bonds from gross income under Section 103 of the Code. In addition, we have relied on the opinions of counsel to the Institution regarding, among other matters, the current qualifications of the Institution as an organization described in Section 501(c)(3) of the Code. For any Series 2017 Bonds having original issue discount ("OID"), OID that has accrued and is properly allocable to the owners of such Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2017 Bonds.

7. Under existing statutes, interest on the Series 2017 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).

Except as stated in paragraphs 6 and 7 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Series 2017 Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances, or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and note that such changes may take place or be proposed from time to time. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel as to the exclusion from gross income for Federal income tax purposes of interest on the Series 2017 Bonds, or the exemption from personal income taxes of interest on the Series 2017 Bonds under state and local tax laws.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2017 Bonds, the Resolutions and the Loan 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 2017 Bond and, in our opinion, the form of said Series 2017 Bond and its execution are regular and proper.

Very truly yours,

FORM OF APPROVING OPINION OF GOLDEN HOLLEY JAMES LLP,  
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2017 BONDS

Upon delivery of the Series 2017 Bonds, Golden Holley James LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

GOLDEN HOLLEY JAMES LLP  
ONE GRAND CENTRAL PLACE,  
60 EAST 42ND STREET, SUITE 4700  
NEW YORK, NEW YORK 10017

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

Ladies and Gentlemen:

We have acted 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”), in connection with the issuance of the Authority’s \$64,015,000 aggregate principal amount of Touro College and University System Obligated Group Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). In such capacity, we have examined such laws and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Series 2017 Bonds are issued under and pursuant to the Act, the Touro College and University System Obligated Group Revenue Bond Resolution adopted by the Authority on May 14, 2014 (the “Bond Resolution”) and the Series 2017 Resolution Authorizing Up To \$75,000,000 Touro College and University System Obligated Group Revenue Bonds, Series 2017 adopted by the Authority on December 6, 2017 (the “Series 2017 Resolution”). The Bond Resolution and the Series 2017 Resolution are herein collectively referred to as the “Resolutions.”

The Series 2017 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 Resolutions) of the Authority fixing the terms and details of the Series 2017 Bonds.

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 Resolutions create the valid pledge which they purport to create of the proceeds of the sale of the Series 2017 Bonds, the Revenues and all funds and accounts established by the Series 2017 Resolution other than the Arbitrage Rebate Fund (as such terms are defined in the Resolutions), 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 2017 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 2017 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 2017 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2017 Bonds.

5. The Loan Agreement between the Authority and Touro College (the “Institution”), dated as of December 6, 2017 (the “Loan Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Institution, and the enforceability of the Loan Agreement against the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with their terms.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2017 Bonds, the Resolutions and the Loan 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 2017 Bond and, in our opinion, the form of said Series 2017 Bond and its execution are regular and proper.

Very truly yours,

**APPENDIX G**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## APPENDIX G

### FORM OF CONTINUING DISCLOSURE AGREEMENT

#### AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

#### DORMITORY AUTHORITY OF THE STATE OF NEW YORK TOURO COLLEGE AND UNIVERSITY SYSTEM OBLIGATED GROUP REVENUE BONDS, SERIES 2017

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the “Disclosure Agreement”), dated as of [\_\_\_\_\_], 2017 is executed and delivered by the Dormitory Authority of the State of New York (the “Issuer” or “DASNY”), Touro College (the “Obligated Person”), 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) 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 will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer’s or the Obligated Person’s 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 (or DASNY, in accordance with Section 4(b), 7(a) or 7(b) of this Disclosure Agreement) 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 Issuer pursuant to Section 9 hereof.

“Disclosure Dissemination Agreement” means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

“Disclosure Representative” means the chief financial officer of the Obligated Person or his or her designee, or such other person as the 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.

“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 Person 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) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 180 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, 2018, 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), with a copy to the Issuer, 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 Issuer and 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 the 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 the 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 each for the Issuer and 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 the 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, IRS notices or events affecting the tax status of the securities;
    - 7. Modifications to rights of securities holders, if material;
    - 8. Bond calls, if material;
    - 9. Defeasances;
    - 10. Release, substitution, or sale of property securing repayment of the securities, if material;
    - 11. Ratings changes;
    - 12. Tender offers;
    - 13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
    - 14. Merger, consolidation, or acquisition of the Obligated Person, if material; and
    - 15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
  - (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 Issuer or 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 Issuer or 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 the Obligated Person and the Issuer 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) The 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 Issuer, 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 the Obligated Person shall include operating data and financial information of the type included in the Official Statement for the Bonds as described in Appendix B-1 in the tables (i) "INTRODUCTION AND OVERVIEW" under the headings "Total Fall Semester Enrollment (Total Headcount)" and "Total Fall Semester Enrollment (Full Time Equivalents)," (ii) "SCHOOLS AND PROGRAMS - Touro College" under the headings "*Enrollment - Admission Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment*" and "*Tuition and Fees*," (iii) "SCHOOLS AND PROGRAMS - Touro University" under the headings "*Enrollment - Admission Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment*" and "*Tuition and Fees*," (iv) "SCHOOLS AND PROGRAMS - Touro University Nevada" under the headings "*Enrollment - Admission Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment*" and "*Tuition and Fees*," (v) "SCHOOLS AND PROGRAMS - New York Medical College" under the headings "*Enrollment - Admission Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment*" and "*Tuition and Fees*," together with (b) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Obligated Group and in judging the financial and operating condition of the Obligated Group and (c) the calculations of the financial covenants (i.e., the Debt Service Coverage Ratio, the Master Obligations" Debt Service Coverage Ratio, the Leverage Ratio, the Liquidity Ratio and the Unencumbered Liquid Assets (as such terms are defined in the Master Indenture) for the most recent Fiscal Year for which Audited Financial Statements are available, together with a summary statement relating to compliance with financial covenants, if any, contained in agreements relating to other Indebtedness (as defined in the Master Indenture) incurred by a Member of the Obligated Group, which Indebtedness had an outstanding principal balance as of the end of such Fiscal Year of at least \$2,500,000.

(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, then Unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, will be 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 the 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. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

Event: (a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice

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 securities or other material events affecting the tax status of the securities;
7. Modification to rights of the security holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender Offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

**Note to subsection (a)(13) of this Section 4:** For the purposes of the event described in subsection (a)(13) 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.

14. 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; and
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, 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, DASNY or the Trustee shall promptly notify the Obligated Person and also may notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each notice to the Disclosure Dissemination Agent shall instruct it 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 the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the 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 the Issuer or the 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 the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the 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.

The 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. The 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) The Issuer or the Obligated Person, with the prior approval of DASNY, 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 or DASNY. 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 Issuer or Obligated Person desires to make, contain the written authorization of the

Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and 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) The Issuer or Obligated Person, with the prior approval of DASNY, 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 or DASNY. 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 the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and 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 Person 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 the Obligated Person, with the approval of DASNY, 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 the 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, the 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 the 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 the 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.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer 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 the Issuer or DAC, the Issuer 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, the Issuer 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 Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the 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 Issuer or 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 Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the 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 the Issuer or the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE 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 the 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 neither of them shall 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 Person.

(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.

The 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, with respect to DASNY, those notices required under Section 4(b) 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 said Section 4(b). 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, the Obligated Person, the Issuer, 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 Person, the Issuer, 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 Person, the Issuer, 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, DASNY, the Obligated Person, 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 the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer 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 Person, the Issuer, 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 Issuer, the Trustee and the Obligated Person 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: \_\_\_\_\_

**TOURO COLLEGE,**  
Obligated Person

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

By: \_\_\_\_\_  
Authorized Officer

**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): Touro College  
Name of Bond Issue: Touro College and University System Obligated Group Revenue Bonds, Series  
2017  
Date of Issuance: [ ], 2017  
Date of Official Statement: [ ], 2017

Maturity

CUSIP No.

**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): Touro College  
Name of Bond Issue: Touro College and University System Obligated Group Revenue Bonds, Series 2017  
Date of Issuance: [\_\_\_\_\_] , 2017  
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 [\_\_\_\_\_] , 2017 by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, 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 Person

\_\_\_\_\_

cc: Issuer  
Obligated Person

**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:

\_\_\_\_\_

Issuer's 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, IRS notices or events affecting the tax status of the security;"
- 7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
- 8. \_\_\_\_\_ "Bond calls, if material;"
- 9. \_\_\_\_\_ "Defeasances;"
- 10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
- 11. \_\_\_\_\_ "Rating changes;"
- 12. \_\_\_\_\_ "Tender offers;"
- 13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
- 14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;" and
- 15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_\_ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer 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 Continuing Disclosure Agreement dated as of [\_\_\_\_\_] by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

\_\_\_\_\_

Issuer's 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 issuer 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 Continuing Disclosure Agreement dated as of [\_\_\_\_\_] by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

\_\_\_\_\_

Issuer's 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 issuer 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:

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