



**\$94,285,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**TOURO COLLEGE AND UNIVERSITY SYSTEM**  
**OBLIGATED GROUP REVENUE BONDS**

**\$55,960,000**  
**Series 2014A**

**\$38,325,000**  
**Series 2014B (Federally Taxable)**

**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 2014A (the "Series 2014A Bonds") and the Touro College and University System Obligated Group Revenue Bonds, Series 2014B (Federally Taxable) (the "Series 2014B Bonds," together with the Series 2014A Bonds, the "Series 2014 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") and New York Medical College ("NYMC," together with the College, the "Institutions") under separate Loan Agreements (each, a "Loan Agreement" and collectively, the "Loan Agreements"), each dated as of May 14, 2014, between the applicable Institution and DASNY, and/or payments made under the related Series 2014 Obligation (as hereinafter defined), which Series 2014 Obligation secures each Institution's obligations under the applicable Loan Agreement(s) with respect to the applicable Series 2014 Bonds, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) established in connection with such Series of Series 2014 Bonds. The Series 2014A 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 2014A Bonds, adopted May 14, 2014 (the "Series 2014A Resolution"). The Series 2014B Bonds are being issued under the General Resolution and the Series Resolution authorizing the Series 2014B Bonds, adopted May 14, 2014 (the "Series 2014B Resolution," and collectively with the General Resolution and the Series 2014A Resolution, the "Resolutions").

Payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2014A Bonds, when due, is secured by payments to be made pursuant to Obligation No. 1 (the "Series 2014A 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 Institutions 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"). Payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2014B Bonds, when due, is secured by payments to be made pursuant to Obligation No. 2 (the "Series 2014B Obligation," collectively with the Series 2014A Obligation, the "Series 2014 Obligations") issued by the Obligated Group pursuant to the Master Indenture. 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 each Institution under its Loan Agreement and each Member of the Obligated Group's obligations under the Series 2014 Obligations are general obligations of such parties. Each Loan Agreement requires the applicable 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 such Institution's Allocable Portion, if any, of the related Series 2014 Bonds, as such payments shall become due, and to make payments due under each Series 2014 Obligation. See "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS."

**The Series 2014 Bonds will not be a debt of the State of New York (the "State") and the State will not be liable on the Series 2014 Bonds. DASNY has no taxing power.**

**Description:** The Series 2014 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 2014 Bonds will accrue from the date of delivery and will be payable semiannually on each January 1 and July 1, commencing January 1, 2015.

The Series 2014 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 2014 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2014 Bonds, payments of the principal, Sinking Fund Installments and Redemption Price of and interest on such Series 2014 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 2014 BONDS - Book-Entry Only System" herein.

**Redemption and Purchase:** *The Series 2014 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, bond counsel to DASNY ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2014A 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 2014A 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. Bond Counsel also is of the opinion that interest on the Series 2014B Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, Bond Counsel is of the opinion that under existing statutes, interest on the Series 2014 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 2014 Bonds are offered when, as, and if issued and received by the Underwriters. The offer of the Series 2014 Bonds may be subject to prior sale, or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to DASNY, 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 NYMC's General Counsel, by Nevada special counsel, Ballard Spahr LLP, Las Vegas, Nevada, by California special counsel, Roscha & Odne LLP, Concord, California, and by special counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Bryan Cave LLP, Kansas City, Missouri. DASNY expects to deliver the Series 2014 Bonds in definitive form in New York, New York, on or about June 26, 2014.*

**Ramirez & Co., Inc.**

**STIFEL**

**Ziegler**

**\$55,960,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**TOURO COLLEGE AND UNIVERSITY SYSTEM OBLIGATED GROUP**  
**REVENUE BONDS, SERIES 2014A**

Serial Bonds

<u>Due</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number<sup>+</sup></u>	<u>Due</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number<sup>+</sup></u>
2018	\$400,000	3.000%	1.930%	649907K92	2025	\$470,000	4.000%	3.830% <sup>†</sup>	649907L83
2019	405,000	3.000	2.380	649907L26	2026	485,000	4.000	3.930 <sup>†</sup>	649907L91
2020	415,000	3.000	2.750	649907L34	2027	495,000	4.000	4.030	649907M25
2021	425,000	4.000	3.110	649907L42	2028	510,000	4.000	4.100	649907M33
2022	435,000	4.000	3.420	649907L59	2029	525,000	4.125	4.210	649907M41
2023	445,000	4.000	3.600	649907L67	2030	2,330,000	4.125	4.290	649907M58
2024	460,000	4.000	3.720	649907L75					

Term Bonds

\$10,600,000 5.250% Term Bonds Due January 1, 2034; Yield: 4.300%<sup>†</sup>; CUSIP Number<sup>+</sup>: 649907M66  
\$16,915,000 5.500% Term Bonds Due January 1, 2039; Yield: 4.500%<sup>†</sup>; CUSIP Number<sup>+</sup>: 649907M74  
\$20,645,000 5.500% Term Bonds Due January 1, 2044; Yield: 4.560%<sup>†</sup>; CUSIP Number<sup>+</sup>: 649907M82

**\$38,325,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**TOURO COLLEGE AND UNIVERSITY SYSTEM OBLIGATED GROUP**  
**REVENUE BONDS, SERIES 2014B (FEDERALLY TAXABLE)**

Serial Bonds

<u>Due</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number<sup>+</sup></u>	<u>Due</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number<sup>+</sup></u>
2015	\$1,950,000	1.100%	1.100%	649907M90	2020	\$2,230,000	3.650%	3.650%	649907N65
2016	2,000,000	1.700	1.700	649907N24	2021	2,320,000	4.200	4.200	649907N73
2017	2,040,000	2.200	2.200	649907N32	2022	2,425,000	4.700	4.700	649907N81
2018	2,095,000	2.700	2.700	649907N40	2023	2,545,000	4.900	4.900	649907N99
2019	2,155,000	3.250	3.250	649907N57	2024	2,675,000	5.000	5.140	649907P22

Term Bonds

\$15,890,000 5.750% Term Bonds Due January 1, 2029; Yield: 5.890%; CUSIP Number<sup>+</sup>: 649907P30

<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 2014 Bonds. Neither DASNY nor any of the Underwriters is responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2014 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2014 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2014 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 2014 Bonds.

<sup>†</sup> Yield calculated to the first optional redemption date (July 1, 2024).

No dealer, broker, salesperson or other person has been authorized by DASNY, the Members of the Obligated Group or the Underwriters to give any information or to make any representations with respect to the Series 2014 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 Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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 any of the Underwriters guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of DASNY or the Underwriters.

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 2014 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, Appendix B-3 and Appendix E. As a condition to delivery of the Series 2014 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 2014 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 2014A Resolution, the Series 2014B Resolution, the Loan Agreements, the Master Indenture, the Series 2014 Obligations, the Mortgages and the Continuing Disclosure Agreement do not purport to be complete. Refer to the Act, the General Resolution, the Series 2014A Resolution, the Series 2014B Resolution, the Loan Agreements, the Master Indenture, the Series 2014 Obligations, 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 2014 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2014 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**  
**PAUL T. WILLIAMS, JR. - PRESIDENT**

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

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**OFFICIAL STATEMENT RELATING TO**  
**\$94,285,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**TOURO COLLEGE AND UNIVERSITY SYSTEM OBLIGATED GROUP REVENUE BONDS**

**\$55,960,000 Touro College**  
**and University System Obligated Group**  
**Revenue Bonds, Series 2014A**

**\$38,325,000 Touro College**  
**and University System Obligated Group**  
**Revenue Bonds, Series 2014B (Federally Taxable)**

**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”), New York Medical College, a New York not-for-profit corporation (“NYMC,” together with the College, the “Institutions”), and the other Members of the Obligated Group (as defined herein), in connection with the offering by DASNY of \$55,960,000 principal amount of its Touro College and University System Obligated Group Revenue Bonds, Series 2014A (the “Series 2014A Bonds”) and \$38,325,000 principal amount of its Touro College and University System Obligated Group Revenue Bonds, Series 2014B (Federally Taxable) (the “Series 2014B Bonds,” together with the Series 2014A Bonds, the “Series 2014 Bonds”).

The following is a brief description of certain information concerning the Series 2014 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 2014 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**

A portion of the proceeds of the Series 2014A Bonds will be loaned by DASNY to the College and, together with other available funds, are expected to be used to (i) finance improvements to the College’s facilities located in Middletown, New York, (ii) fund a deposit to the Debt Service Reserve Fund for the Series 2014A Bonds (the “Series 2014A Debt Service Reserve Fund”) in an amount equal to the College’s Allocable Portion (described below) of the Series 2014A Debt Service Reserve Fund Requirement (hereinafter defined), (iii) pay capitalized interest on the College’s Allocable Portion of the Series 2014A Bonds, and (iv) pay a portion of the costs of issuance of the Series 2014A Bonds. The balance of the proceeds of the Series 2014A Bonds will be loaned by DASNY to NYMC and, together with other available funds, are expected to be used to (i) finance improvements to NYMC’s facilities located in Westchester County, New York, (ii) fund NYMC’s Allocable Portion of the Series 2014A Debt Service Reserve Fund Requirement, (iii) pay capitalized interest on NYMC’s Allocable Portion of Series 2014A Bonds, and (iv) pay a portion of the Costs of Issuance of the Series 2014A Bonds. Each Institution’s proportionate share of certain obligations arising with respect to the Series 2014A Bonds and corresponding to the proceeds of the Series 2014A Bonds loaned to it by DASNY is sometimes referred to herein as such Institution’s “Allocable Portion” (as further defined in Appendix A hereto).

The proceeds of the Series 2014B Bonds will be loaned by DASNY to NYMC and, together with other available funds, are expected to be used to (i) refund DASNY’s outstanding New York Medical College Insured

Revenue Bonds, Series 1998 (the “Series 1998 Bonds”), (ii) fund a deposit to the Debt Service Reserve Fund for the Series 2014B Bonds (the “Series 2014B Debt Service Reserve Fund”) in an amount equal to the Series 2014B Debt Service Reserve Fund Requirement (as hereinafter defined), and (iii) pay the Costs of Issuance of the Series 2014B Bonds.

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

### **Authorization of Issuance**

The Series 2014 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 2014A Bonds, adopted May 14, 2014 (the “Series 2014A Resolution”), the Series Resolution authorizing the Series 2014B Bonds, adopted May 14, 2014 (the “Series 2014B Resolution,” together with the Series 2014A Resolution, the “Series 2014 Resolutions”) 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 2014 Resolutions are collectively referred to as the “Resolutions.”

The General Resolution authorizes the issuance of other Series of Bonds (any such additional Series of Bonds, together with the Series 2014 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, 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 Institutions 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, referred to in the Master Indenture as Health Care and Other Designated Enterprises comprised of Touro College of Osteopathic Medicine and Touro College of Pharmacy, both located in Harlem, New York City 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” and “Appendix B-3 - Financial Statements of New York Medical College and Independent Auditors’ Report.” The financial statements of NYMC are consolidated into the financial statements of the College included in Appendix B-2. 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 Touro University College of Medicine, Inc., 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, 2013, the Gross Revenues of TU, TUN, NYMC and the Designated

Enterprise Revenues of the College constituted approximately \$300 million of the consolidated revenues of the System (as defined herein), which is approximately 67% of total consolidated revenues of the System.

### **The Series 2014 Bonds**

The Series 2014 Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2015 and on each July 1 and January 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 2014 BONDS.”

### **Payment of the Series 2014 Bonds**

The Series 2014A Bonds are special obligations of DASNY payable solely from (i) the proceeds from the sale of the Series 2014A Bonds, (ii) the Revenues pledged thereto, which include (A) certain payments to be made by the College under the Loan Agreement, dated as of May 14, 2014 (the “College Loan Agreement”), between the College and DASNY, (B) certain payments to be made by NYMC under the Loan Agreement, dated as of May 14, 2014 (the “NYMC Loan Agreement,” together with the College Loan Agreement, the “Loan Agreements”), between NYMC and DASNY, and/or (C) any payments to be made by the Obligated Group on the Series 2014A 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 2014A Resolution (excluding the Arbitrage Rebate Fund). The Series 2014A Obligation secures each Institution’s payment obligations under the Loan Agreements with respect to the Series 2014A Bonds.

The Series 2014B Bonds are special obligations of DASNY payable solely from (i) the proceeds from the sale of the Series 2014B Bonds, (ii) the Revenues pledged thereto, which include (A) certain payments to be made by NYMC under the NYMC Loan Agreement, and/or (B) any payments to be made by the Obligated Group on the Series 2014B Obligation (as hereinafter defined), which payments are pledged and assigned to the Trustee, and (iii) all funds and accounts authorized pursuant to the General Resolution and established by the Series 2014A Resolution. The Series 2014B Obligation secures NYMC’s payment obligations under the NYMC Loan Agreement with respect to the Series 2014B Bonds.

Pursuant to its Loan Agreement, each Institution will be required to pay, among other things, its Allocable Portion, if any, of the principal, Sinking Fund Installments and Redemption Price of, and interest on the Outstanding Series 2014 Bonds, in each case corresponding to the proceeds of each maturity of the applicable Series 2014 Bonds loaned to it.

See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS - Payment of the Series 2014 Bonds.”

**The Series 2014 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 2014 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 Series 2014A Resolution and the Series 2014B Resolution, respectively, and pledged therefor.**

### **Security for the Series 2014 Bonds**

Each Series of the Bonds (including each Series of the Series 2014 Bonds) is separately secured by the pledge and assignment made by DASNY to the Trustee of the Revenues applicable to such Series and, except as otherwise provided in the Resolutions, of all funds and accounts authorized by the General Resolution and established under the respective Series 2014 Resolution (other than the Arbitrage Rebate Fund), which includes a separate Debt Service Reserve Fund for each Series of the Series 2014 Bonds (each a “2014 Debt Service Reserve Fund”). Each Institution’s obligation to make the payments under its Loan Agreement is a general obligation of such Institution and such payments are required to be made by such Institution out of any money legally available to it.

Payment when due of an Institution’s obligations to DASNY under its Loan Agreement with respect to a Series of the Series 2014 Bonds is secured by an Obligation issued by the Obligated Group for such Series (respectively, the “Series 2014A Obligation” and the “Series 2014B Obligation” and collectively, the “Series 2014 Obligations”) 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 (i) with respect to the Series 2014A Obligation, by the Supplemental Master Trust Indenture for Obligation No. 1 (referred to herein as the “Series 2014A Supplemental Indenture”), and

(ii) with respect to the Series 2014B Obligation, by the Supplemental Master Trust Indenture for Obligation No. 2 (referred to herein as the “Series 2014B Supplemental Indenture,” collectively with the Series 2014A Supplemental Indenture, the “Series 2014 Supplemental Indentures”), each dated as of May 1, 2014, 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 2014 Obligations. The obligation of the Obligated Group to make the payments required by the Master Indenture with respect to the Series 2014 Obligations 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 College, the pledge of Gross Revenues is limited to revenues derived from certain designated enterprises called Health Care and Other Designated Enterprises, which are currently comprised of Touro College of Osteopathic Medicine, Touro College of Pharmacy and Touro College School of Health Sciences. The security interest in Gross Revenues given to secure the Series 2014 Obligations will be subject to Permitted Liens, as described in the Master Indenture. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 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, future Obligations issued thereunder will be secured by the Gross Revenues and the Mortgages as may be modified or supplemented in connection with the issuance of future Obligations, 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 2014 BONDS - Obligations under the Master Indenture - *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 2014 BONDS**

*Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2014 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreements, the General Resolution, the Series 2014 Resolutions, the Master Indenture (including the Series 2014 Supplemental Indentures), the Series 2014 Obligations and the Mortgages. Copies of the Loan Agreements, the General Resolution, the Series 2014 Resolutions, the Master Indenture (including the Series 2014 Supplemental Indentures), the Series 2014 Obligations and the Mortgages are on file with DASNY and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreements,” “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 2014 Bonds**

The Series 2014 Bonds will be special obligations of DASNY. The principal, Sinking Fund Installments and Redemption Price of and interest on each Series of the Series 2014 Bonds are payable solely from the applicable Revenues. With respect to each Series of the Series 2014 Bonds, such Revenues include (a) the payments required to be made by the applicable Institution under its Loan Agreement on account of such Institution’s Allocable Portion, if any, of (i) the principal, Sinking Fund Installments and Redemption Price of and interest due on such



Series of Series 2014 Bonds, and (ii) the applicable Series 2014 Debt Service Reserve Fund Requirement (as defined below), and/or (b) any payments made under the applicable Obligation to be issued by the Obligated Group with respect to such Series and all amounts realized upon liquidation of collateral securing such Obligation. Each Series 2014 Obligation secures the Institution's obligations under its Loan Agreement with respect to the applicable Series of Series 2014 Bonds. The applicable Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the respective Series of Series 2014 Bonds.

Each Institution's obligations under its Loan Agreement are general obligations of such Institution. The Obligated Group's obligations under each Series 2014 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 applicable Series of Series 2014 Bonds. Generally, payments to satisfy principal and Sinking Fund Installments of, and interest on the Series 2014 Bonds are to be made monthly. Each payment is to be equal to a proportionate share of the interest on the Series 2014 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. Each Loan Agreement also obligates the Obligated Group to make payments sufficient to pay, at least 45 days prior to a redemption date of Series 2014 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 2014 Bonds. DASNY has directed each Institution, and each Institution has agreed, to make the payments under its Loan Agreement directly to the Trustee.

### **Security for the Series 2014 Bonds**

Each Series of the Series 2014 Bonds will be secured by the pledge and assignment by DASNY of (i) the applicable Revenues, which include payments made by the applicable Institution with respect to such Series pursuant to its Loan Agreement, and/or any payments made under the applicable Series 2014 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 such Series by the applicable Series 2014 Resolution (excluding the Arbitrage Rebate Fund), including the applicable 2014 Debt Service Reserve Fund. Pursuant to the General Resolution, the funds and accounts established and pledged by a Series 2014 Resolution secure only the related Series of the Series 2014 Bonds, and do not secure the other Series of the Series 2014 Bonds or any other series of Bonds that may hereafter be issued under the General Resolution.

#### *The 2014 Debt Service Reserve Funds*

Each Series 2014 Resolution establishes a Debt Service Reserve Fund for the Series 2014 Bonds authorized thereby to be funded at the time of the delivery of such Series 2014 Bonds. Each 2014 Debt Service Reserve Fund is to be funded in an amount equal to the Debt Service Reserve Fund Requirement established for the applicable Series 2014 Bonds, which in the case of each Series of the Series 2014 Bonds is equal to that Series' pro rata share (based on the principal amount of such Series) of the greatest amount required in the then current or any future year to pay the combined debt service on both Series of the Outstanding Series 2014 Bonds in such year, subject to modification for any federal tax law constraints (respectively, the "Series 2014A Debt Service Reserve Fund Requirement" and the "Series 2014B Debt Service Reserve Fund Requirement," and collectively, the "2014 Debt Service Reserve Fund Requirement"). Upon issuance of the Series 2014 Bonds, the Series 2014A Debt Service Reserve Fund will be funded in the amount of \$4,141,537.82 and the Series 2014B Debt Service Reserve Fund will be funded in the amount of \$2,836,390.94. Each 2014 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 applicable Series of the Series 2014 Bonds. Any payments to be made by an Institution to restore its Allocable Portion, if any, of a 2014 Debt Service Reserve Fund are to be made directly to the Trustee for deposit to such 2014 Debt Service Reserve Fund. 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. See "Appendix D - Summary of Certain Provisions of the General Resolution."

Upon payment in full of the Series 2014B Bonds, the Series 2014A Debt Service Reserve Fund Requirement shall be recalculated to comply with the then applicable federal tax law constraints and, if the recomputed Series 2014A Debt Service Reserve Fund Requirement is more than the funds then on deposit in the Debt Service Reserve Fund for the Series 2014A Bonds, the funds then on deposit in the Debt Service Reserve Fund for the Series 2014B

Bonds shall be transferred to the Debt Service Reserve Fund for the Series 2014A Bonds to the extent needed to make up such deficiency.

Moneys in each 2014 Debt Service Reserve Fund are to be withdrawn and deposited in the applicable Debt Service Fund whenever the amount in such Debt Service Fund, on the fourth (4<sup>th</sup>) Business Day prior to an interest or principal payment date for the related Series of the Series 2014 Bonds, is less than the amount that is necessary to pay the principal and Sinking Fund Installments of and interest on such Series 2014 Bonds payable on such interest or principal payment date and Redemption Price or purchase price of such 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 each Institution restore its Allocable Portion, if any, of the applicable 2014 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 a 2014 Debt Service Reserve Fund in excess of the applicable 2014 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 each Institution under its Loan Agreement and for the benefit of the Trustee to secure performance of the obligations of DASNY under the General Resolution.

#### *The Series 2014 Obligations*

Payment of the principal, Sinking Fund Installments and Redemption Price of and interest on each Series of the Series 2014 Bonds when due, and payment when due of the other obligations of each Institution to DASNY under its Loan Agreement, will be secured by payments made by the Obligated Group pursuant to the applicable Series 2014 Obligation. Each Series 2014 Obligation will be issued to DASNY for the benefit of the Bondholders of the applicable Series. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 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 each Series of the Series 2014 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 such Series 2014 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 2014A 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 such Series of the Series 2014 Bonds or in the General Resolution or in the applicable Series 2014 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 2014 Bonds of such Series); or (iv) an “Event of Default,” as defined in the applicable Loan Agreement, shall have occurred and shall be continuing and all sums payable by the applicable Institution under its 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 Agreements. Unless all sums payable by an Institution under its Loan Agreement are declared immediately due and payable (and such declaration shall have not been annulled), an event of default under such 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.

### **Additional Bonds**

In addition to the Series 2014 Bonds, the General Resolution authorizes the issuance by DASNY 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 each Series of the Series 2014 Bonds will be payable from moneys paid by the Obligated Group pursuant to the applicable Series 2014 Obligation. Concurrently with the issuance of the Series 2014 Bonds, the Obligated Group will issue its Series 2014 Obligations pursuant to the Master Indenture and the related Series 2014 Supplemental Indenture. The Series 2014 Obligations will be issued to DASNY, which will assign all payments under each Series 2014 Obligation to the Trustee as security for the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the applicable Series of the Series 2014 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 College 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 2014 OBLIGATIONS (*i.e.*, THE MORTGAGE 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 2014 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 2014 Obligations*

Pursuant to the Master Indenture, the Series 2014 Obligations 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. Additional Obligations issued under the Master Indenture also will be secured by a lien on Gross Revenues, on parity with the lien securing the Series 2014 Obligations, and will be secured by the Mortgages, on a parity basis with the Series 2014 Obligations. See the caption “*Security Interest in Gross Revenues*” below for a description of the Gross Revenues pledged with respect to the College. 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.

### *Concurrent Obligated Group Financings*

In connection with the establishment of the Obligated Group and the execution of the Master Indenture, each Member of the Obligation is incurring Indebtedness and the Obligated Group is issuing Obligations to secure such Indebtedness as follows:

Touro College (College) and New York Medical College (NYMC). DASNY is expected to issue the Series 2014 Bonds in the aggregate principal amount of \$94,285,000 and loan the proceed thereof to the Institutions as described herein. The Obligated Group is expected to issue its Obligation Nos. 1 and 2 (respectively referred to herein as the Series 2014A Obligation and the Series 2014B Obligation) in the same principal amount as such bonds as security for the obligations of each Institution under its Loan Agreement.

Touro University Nevada (TUN). The City of Henderson, Nevada Public Improvement Trust (the “Nevada Issuer”) is expected to issue its Touro College and University System Revenue Bonds, Series 2014A in the aggregate principal amount of \$24,365,000 (the “Nevada A Bonds”) and its Touro College and University System Revenue Bonds, Series 2014B (Federally Taxable) in the aggregate principal amount of \$11,905,000 (the “Nevada B Bonds,” together with the Nevada A Bonds, the “Nevada Bonds”) and loan 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 is expected to issue its Obligation Nos. 3 and 4 in the same principal amount as such bonds as security for the obligations of TUN under the loan agreements between the Nevada Issuer and TUN related to the Nevada Bonds.

Touro University (TU). The California Municipal Finance Authority (the “California Issuer”) is expected to issue its Touro College and University System Revenue Bonds, Series 2014 in the aggregate principal amount of \$17,545,000 (the “California Bonds”) and loan the proceeds thereof to TU to refinance certain previously incurred indebtedness relating to TU’s campus in Vallejo, California. The Obligated Group is expected to issue 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 Bonds.

It is anticipated that such bonds and the related Obligations will be issued simultaneously with the issuance of the Series 2014 Bonds. Following the issuance of the Series 2014 Bonds and the above-referenced bonds for the other Members of the Obligated Group, 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)	38,325,000
No. 3 (Nevada A Bonds)	24,365,000
No. 4 (Nevada B Bonds)	11,905,000
No. 5 (California Bonds)	17,545,000
Total	<u>\$ 148,100,000</u>

### *Security Interest in Gross Revenues*

As security for its obligations under the Master Indenture, the Obligated Group shall pledge and grant 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 Health Care and Other Designated Enterprises (collectively, Touro College of Osteopathic Medicine, Touro College of Pharmacy, 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 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 (as such term is defined in the Master Indenture).

### *Mortgages*

New York Mortgages. To secure payments required to be made by the Obligated Group under the Series 2014 Obligations and all other Obligations issued pursuant to the Master Indenture, the College will grant DASNY a mortgage (the “College Mortgage”) on its property located at 1700 Union Boulevard in Bay Shore, New York (the “College Mortgaged Property”). To secure payments required to be made by the Obligated Group under the Series 2014 Obligations and all other Obligations issued pursuant to the Master Indenture, NYMC will grant 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 Mortgage Property,” and together with the College Mortgaged Property, the “New York Mortgaged Property”). DASNY will assign the College Mortgage and the NYMC Mortgage to the Master Trustee on the date of issuance of the Series 2014 Bonds.

NYMC has previously granted a mortgage (the “**Prior 7 Dana Road Mortgage**”) on a portion of its property located at 7 Dana Road, which will also be encumbered by the NYMC Mortgage. The Prior 7 Dana Road Mortgage was granted to the United States Department of Commerce, Economic Development Administration in connection with a financial assistance award in the amount of \$328,000 (see the discussion under the caption “STRATEGIC DIRECTION AND CAPITAL PROJECTS – Dana Road Clinical Skills, Disaster Medicine, Biotechnology Incubator and Training Center” in Appendix B-1 to this Official Statement). The Prior 7 Dana Road Mortgage encumbers 2,333 square feet in the building located at 7 Dana Road (more specifically Rooms 205, 206, 207, 215 and the use of Rooms 217 and 218 on the first floor of said building). The NYMC Mortgage with respect to NYMC’s property located at 7 Dana Road will be subordinate to the Prior 7 Dana Road Mortgage. The Prior 7 Dana Road Mortgage expires by its terms on August 13, 2028.

Nevada Mortgage. To secure payments required to be made by the Obligated Group under Obligation Nos. 3 and 4 (see “- *Concurrent Obligated Group Financings*” above) and all other Obligations issued pursuant to the Master Indenture, TUN will grant a deed of trust to the trustee named therein for the benefit of the Master Trustee (the “Nevada Mortgage”) on its property constituting its campus in Henderson, Nevada (the “Nevada Mortgaged Property”).

California Mortgage. To secure payments required to be made by the Obligated Group under Obligation No. 5 (see “- *Concurrent Obligated Group Financings*” above) and all other Obligations issued pursuant to the Master Indenture, TU will grant a deed of trust to the trustee named therein for the benefit of the Master Trustee (the “California Mortgage,” together with the College Mortgage, the NYMC Mortgage and the Nevada Mortgage, 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 2014 Obligations. 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 are not subject to such limitations and may be encumbered without limitation under this 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 2014 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 2014 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 2014 Resolution and pledged therefor.**

## **PART 3 -THE SERIES 2014 BONDS**

*Set forth below is a narrative description of certain provisions relating to the Series 2014 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 2014 Resolutions and the Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreements" and "Appendix D - Summary of Certain Provisions of the General Resolution" for a more complete description of certain provisions of the Series 2014 Bonds.*

The Series 2014 Bonds will be issued pursuant to the Resolutions. The Series 2014 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 2014 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 2014 Bonds, payments of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2014 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 2014 Bonds is the responsibility of the DTC Participants. If at any time the book-entry only system is discontinued for the Series 2014 Bonds, the Series 2014 Bonds will be exchangeable for fully registered Series 2014 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 2014 Bonds**

The Series 2014 Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2015 and on each July 1 and January 1 thereafter) at the rates set forth on the inside cover page of this Official Statement. The Series 2014 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2014 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 2014 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 2014 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 2014 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 2014 Bonds and Purchase in Lieu of Optional Redemption**

The Series 2014 Bonds are subject to optional, mandatory and special redemption, and purchase in lieu of optional redemption as described below.

#### *Optional Redemption of Series 2014 Bonds*

Series 2014A Bonds. The Series 2014A Bonds maturing on or before January 1, 2024 are not subject to optional redemption prior to maturity. The Series 2014A Bonds maturing after January 1, 2024 are subject to redemption prior to maturity at the option of DASNY, in consultation with the Institutions, on or after July 1, 2024, 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 2014A Bonds to be redeemed, plus accrued interest to the redemption date.

Series 2014B Bonds. The Series 2014B Bonds maturing on or before January 1, 2024 are not subject to optional redemption prior to maturity. The Series 2014B Bonds maturing after January 1, 2024 are subject to redemption prior to maturity at the option of DASNY, in consultation with NYMC, on or after July 1, 2024, 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 2014B Bonds to be redeemed, plus accrued interest to the redemption date.

#### *Purchase in Lieu of Optional Redemption of Series 2014 Bonds*

Series 2014A Bonds. The Series 2014A Bonds maturing after January 1, 2024 also are subject to purchase in lieu of optional redemption prior to maturity at the election of the Institutions, with the consent of DASNY, on or after July 1, 2024, in any order, as a whole or in part at any time, at a price equal to 100% of the principal amount of Series 2014A Bonds to be purchased (the “Purchase Price”), plus accrued interest to the date set for purchase (the “Purchase Date”).

Series 2014B Bonds. The Series 2014B Bonds maturing after January 1, 2024 also are subject to purchase in lieu of optional redemption prior to maturity at the election of NYMC, with the consent of DASNY, on or after July 1, 2025, in any order, as a whole or in part at any time, at a price equal to 100% of the principal amount of Series 2014B Bonds to be purchased (the “Purchase Price”), plus accrued interest to the date set for purchase (the “Purchase Date”).



*Mandatory Redemption of Series 2014 Bonds*

Series 2014A Bonds. In addition, the Series 2014A Bonds maturing on January 1, 2034, January 1, 2039 and January 1, 2044 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 2014A 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 2014A Bonds of each maturity specified for each of the years shown below:

<b>Series 2014A</b>		<b>Series 2014A</b>		<b>Series 2014A</b>	
<b>Term Bond Maturing</b>		<b>Term Bond Maturing</b>		<b>Term Bond Maturing</b>	
<b><u>January 1, 2034</u></b>		<b><u>January 1, 2039</u></b>		<b><u>January 1, 2044</u></b>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2031	\$2,445,000	2035	\$3,025,000	2040	\$3,980,000
2032	2,580,000	2036	3,190,000	2041	4,200,000
2033	2,715,000	2037	3,370,000	2042	4,440,000
2034 <sup>†</sup>	2,860,000	2038	3,565,000	2043	3,900,000
		2039 <sup>†</sup>	3,765,000	2044 <sup>†</sup>	4,125,000

<sup>†</sup> Final Maturity

Series 2014B Bonds. In addition, the Series 2014B Bonds maturing on January 1, 2029 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 2014B 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 2014B Bonds of each maturity specified for each of the years shown below:

<b>Series 2014B</b>	
<b>Term Bond Maturing</b>	
<b><u>January 1, 2029</u></b>	
<u>Year</u>	<u>Amount</u>
2025	\$2,825,000
2026	2,990,000
2027	3,165,000
2028	3,355,000
2029 <sup>†</sup>	3,555,000

<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 2014 Bonds of the applicable Series 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 2014 Bonds purchased with money in the applicable Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the applicable Series 2014 Bonds so purchased payable on the next succeeding January 1. Series 2014 Bonds redeemed at the option of DASNY, purchased by DASNY or an 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 2014 Bonds of such Series or the maturity so purchased will be reduced for such year.

*Special Redemption of Series 2014 Bonds*

Series 2014A Bonds. The Series 2014A 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 2014A 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 2014A Project to which such proceeds relate, and which proceeds are not otherwise applied as permitted under the Master Indenture, the College Loan Agreement and the NYMC Loan Agreement and (ii) from unexpended proceeds of the Series 2014A Bonds upon the abandonment of all or a portion of the Series 2014A Project due to a legal or regulatory impediment.

Series 2014B Bonds. The Series 2014B 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 2014B Bonds to be redeemed, plus accrued interest to the redemption date, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the portion of the Series 2014B Project to which such proceeds relate, and which proceeds are not otherwise applied as permitted under the Master Indenture and the NYMC Loan Agreement.

#### *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 2014 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 2014 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 2014 Bonds to be redeemed. The failure of any owner of a Series 2014 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2014 Bond.

DASNY's obligation to optionally redeem a Series 2014 Bond called for redemption may be conditioned upon the availability of sufficient money to pay the Redemption Price for all of the Series 2014 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 2014 Bonds to be redeemed, the former registered owners of such Series 2014 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 2014 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 2014 Bonds in accordance with their respective terms.

If on the redemption date money for the redemption of the Series 2014 Bonds of like Series and maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on the Series 2014 Bonds of such Series and maturity will cease to accrue from and after the redemption date and such Series 2014 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 2014 Bonds will be given in the name of the applicable Institution to the registered owners of the Series 2014 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 2014 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2014 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2014 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 2014 Bonds. Such Series 2014 Bonds need not be cancelled, and will remain Outstanding under the Resolutions and continue to bear interest.

An Institution's obligation to purchase a Series 2014 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 2014 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 2014 Bonds to be purchased, the former registered owners of such Series 2014 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 2014 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 2014 Bonds in accordance with their terms.

If not all of the Outstanding Series 2014 Bonds of a Series and maturity are to be purchased, the Series 2014 Bonds of such Series and maturity to be purchased will be selected by lot in the same manner as Series 2014 Bonds of a Series and 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 2014 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 2014 Bonds. The Series 2014 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 2014 Bond certificate will be issued for each Series and maturity of the Series 2014 Bonds, each in the aggregate principal amount of such Series and 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 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 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 2014 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 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 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 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 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 2014 Bonds within a Series and 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 2014 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 2014 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 2014 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 Underwriters, 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 2014 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 2014 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 2014 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 2014 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 2014 BONDS.**

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2014 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 2014 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 2014 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 UNDERWRITERS 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 2014 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 2014 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 2014 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2014 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 2014 Bonds, and the Nevada Bonds and the California Bonds expected to be issued concurrently with the Series 2014 Bonds (see “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS - Obligations under the Master Indenture - *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 2014A Bonds		Series 2014B Bonds		Nevada Bonds <sup>(1)</sup>		California Bonds <sup>(1)</sup>		Total Debt Service on Obligations
	Principal Payments	Interest Payments <sup>(2)</sup>	Principal Payments	Interest Payments	Principal Payments	Interest Payments	Principal Payments	Interest Payments	
2015	\$ 0	\$ 2,966,303	\$ 1,950,000	\$ 1,704,646	\$ 800,000	\$ 1,849,610	\$ 390,000	\$ 792,087	\$10,452,646
2016	0	2,925,669	2,000,000	1,653,423	815,000	1,809,048	415,000	769,081	10,387,220
2017	0	2,925,669	2,040,000	1,613,983	830,000	1,790,268	425,000	756,481	10,381,400
2018	400,000	2,919,669	2,095,000	1,563,260	845,000	1,767,993	440,000	743,506	10,774,428
2019	405,000	2,907,594	2,155,000	1,499,959	865,000	1,741,824	450,000	730,156	10,754,533
2020	415,000	2,895,294	2,230,000	1,424,243	890,000	1,711,748	465,000	716,431	10,747,715
2021	425,000	2,880,569	2,320,000	1,334,825	920,000	1,676,330	480,000	702,256	10,738,980
2022	435,000	2,863,369	2,425,000	1,229,118	950,000	1,634,850	495,000	685,156	10,717,493
2023	445,000	2,845,769	2,545,000	1,109,778	990,000	1,589,100	520,000	664,856	10,709,503
2024	460,000	2,827,669	2,675,000	980,550	1,030,000	1,539,563	540,000	643,656	10,696,438
2025	470,000	2,809,069	2,825,000	832,456	1,080,000	1,483,375	560,000	621,656	10,681,556
2026	485,000	2,789,969	2,990,000	665,275	1,135,000	1,420,925	585,000	598,756	10,669,925
2027	495,000	2,770,369	3,165,000	488,319	1,190,000	1,355,175	605,000	574,956	10,643,819
2028	510,000	2,750,269	3,355,000	300,869	1,250,000	1,285,850	630,000	550,256	10,632,244
2029	525,000	2,729,241	3,555,000	102,206	1,315,000	1,212,650	660,000	524,456	10,623,553
2030	2,330,000	2,670,356	-	-	945,000	1,149,088	685,000	497,128	8,276,572
2031	2,445,000	2,558,119	-	-	995,000	1,095,738	720,000	464,100	8,277,956
2032	2,580,000	2,426,213	-	-	1,050,000	1,039,500	755,000	425,381	8,276,094
2033	2,715,000	2,287,219	-	-	1,110,000	980,100	800,000	384,563	8,276,881
2034	2,860,000	2,140,875	-	-	1,175,000	917,263	840,000	341,513	8,274,650
2035	3,025,000	1,982,613	-	-	1,240,000	850,850	885,000	296,231	8,279,694
2036	3,190,000	1,811,700	-	-	1,310,000	780,725	935,000	248,456	8,275,881
2037	3,370,000	1,631,300	-	-	1,385,000	706,613	985,000	198,056	8,275,969
2038	3,565,000	1,440,588	-	-	1,465,000	628,238	1,035,000	145,031	8,278,856
2039	3,765,000	1,239,013	-	-	1,545,000	545,463	1,095,000	89,119	8,278,594
2040	3,980,000	1,026,025	-	-	1,635,000	458,013	1,150,000	30,188	8,279,225
2041	4,200,000	801,075	-	-	1,725,000	365,613	-	-	7,091,688
2042	4,440,000	563,475	-	-	1,825,000	267,988	-	-	7,096,463
2043	3,900,000	334,125	-	-	1,925,000	164,863	-	-	6,323,988
2044	4,125,000	113,438	-	-	2,035,000	55,963	-	-	6,329,400

Note: Totals may not foot due to rounding.

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

<sup>(2)</sup> Does not reflect capitalized interest on a portion of the Series 2014A Bonds through July 1, 2016.

## PART 5 - PLAN OF FINANCE

### Series 2014A Bonds

In General. A portion of the proceeds of the Series 2014A Bonds will be loaned by DASNY to the College and, together with other available funds, are expected to be used to (i) finance improvements to the College's facilities located in Middletown, New York (as more fully described below, the "Series 2014A College Project"), (ii) fund a deposit to the Series 2014A Debt Service Reserve Fund in an amount equal to the College's Allocable Portion of the Series 2014A Debt Service Reserve Fund Requirement, (iii) pay capitalized interest on the College's Allocable Portion of the Series 2014A Bonds, and (iv) pay a portion of the Costs of Issuance of the Series 2014A Bonds. The balance of the proceeds of the Series 2014A Bonds will be loaned by DASNY to NYMC and, together with other available funds, are expected to be used to (i) finance improvements to NYMC's facilities located in Westchester County, New York (as more fully described below, the "Series 2014A NYMC Project"), (ii) fund NYMC's Allocable Portion of the Series 2014A Debt Service Reserve Fund Requirement, (iii) pay capitalized interest on NYMC's Allocable Portion of the Series 2014A Bonds, and (iv) pay a portion of the Costs of Issuance of the Series 2014A Bonds.

Series 2014A College Project. The Series 2014A College Project consists of the College's improvement of its new College of Osteopathic Medicine campus located in Middletown, New York. For additional information relating to the Series 2014A College Project, see the caption "STRATEGIC DIRECTION AND CAPITAL PROJECTS – Touro College of Osteopathic Medicine, Middletown Campus" in Appendix B-1 to this Official Statement.

#### Series 2014A NYMC Project.

*Skyline Drive Project.* The Series 2014A NYMC Project includes the acquisition, renovation, construction, equipping and/or furnishing of a 248,000 square foot office building at 19 Skyline Drive in Westchester County, New York.

*Dana Road Project.* The Series 2014A NYMC Project also includes the renovation and equipping of approximately 15,000 square feet of NYMC's 120,000 square foot facility at 7 Dana Road in Westchester County, New York.

For additional information relating to the Series 2014A NYMC Project, see the captions "STRATEGIC DIRECTION AND CAPITAL PROJECTS – Skyline Project at New York Medical College" and "- Dana Road Clinical Skills, Disaster Medicine, Biotechnology Incubator and Training Center" in Appendix B-1 to this Official Statement.

### Series 2014B Bonds

The proceeds of the Series 2014B Bonds will be loaned by DASNY to NYMC and, together with other available funds, are expected to be used to (i) refund all of the Series 1998 Bonds, currently outstanding in the principal amount of \$44,390,000, (ii) fund a deposit to the Series 2014B Debt Service Reserve Fund in an amount equal to the Series 2014B Debt Service Reserve Fund Requirement, and (iii) pay the Costs of Issuance incidental to the issuance of the Series 2014B Bonds.

Upon issuance of the Series 2014B Bonds, the portion of the proceeds of the Series 2014B Bonds loaned to NYMC for the refunding of the Series 1998 Bonds will be deposited in escrow with the trustee for the Series 1998 Bonds (the "Series 1998 Bonds Trustee") and, together with other available funds, will be used to purchase direct non-callable obligations of the United States of America, the maturing principal of and interest on which will be sufficient, together with any uninvested cash, to pay the principal of and interest on the Series 1998 Bonds on their redemption date. See "PART 19 - VERIFICATION OF MATHEMATICAL COMPUTATIONS." It is expected that all of the Series 1998 Bonds will be redeemed within 45 days of the issuance of the Series 2014B Bonds, at a redemption price equal to 100% of the outstanding principal amount of the Series 1998 Bonds, plus accrued interest to the redemption date.

## PART 6 -ESTIMATED SOURCES AND USES OF FUNDS

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

	Series 2014A <u>Bonds</u>	Series 2014B <u>Bonds</u>	<u>Total</u>
<u>Sources of Funds:</u>			
Principal Amount of Series 2014 Bonds	\$ 55,960,000.00	\$ 38,325,000.00	\$ 94,285,000.00
Plus/Less Net Original Issue Premium/Discount	3,756,460.10	(243,236.50)	3,513,223.60
Funds on Deposit with the Series 1998 Trustee	0.00	3,607,029.22	3,607,029.22
Institution Contribution	<u>0.00</u>	<u>7,876,723.00</u>	<u>7,876,723.00</u>
Total Sources of Funds	<u>\$ 59,716,460.10</u>	<u>\$ 49,565,515.72</u>	<u>\$ 109,281,975.82</u>
<u>Uses of Funds:</u>			
Deposit to the Construction Fund	\$ 50,000,000.00	\$ 0.00	\$ 50,000,000.00
Deposit to the Refunding Account	0.00	45,642,368.75	45,642,368.75
Deposit to the 2014 Debt Service Reserve Fund for the related Series	4,141,537.82	2,836,390.94	6,977,928.76
Deposit to the Capitalized Interest Account of the Construction Fund	4,244,648.13	0.00	4,244,648.13
Costs of Issuance (including title insurance premiums and related costs and defeasance costs)	718,813.80	701,244.42	1,420,058.22
Underwriters' Discount	<u>611,460.35</u>	<u>385,511.61</u>	<u>996,971.96</u>
Total Uses of Funds	<u>\$ 59,716,460.10</u>	<u>\$ 49,565,515.72</u>	<u>\$ 109,281,975.82</u>

## PART 7 -THE OBLIGATED GROUP

The Institutions, together with 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 Institutions, 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 are entering 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, the Obligated Group intends to simultaneously issue Obligations under the Master Indenture relating to such indebtedness. For a description of the Obligations expected to be issued under the Master Indenture concurrently with the Series 2014 Obligations, see the caption “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS - Obligations under the Master Indenture - 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 Institutions or the other Members of the Obligated Group with respect to the Series 2014 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 2014 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 2014 Bonds are special, limited obligations of DASNY payable by DASNY solely from payments to be made by the applicable Institution pursuant to its respective Loan Agreement, which payments are secured by the applicable Series 2014 Obligation to be issued by the Obligated Group with respect to each Series of the Series 2014 Bonds. No representation or assurance can be given that any Institution individually or the Members of the Obligated Group collectively will realize revenues in amounts sufficient to make such payments under each applicable Loan Agreement and under all the applicable Series 2014 Obligations. 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 College, 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 2014 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 2014 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 2014 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. The Patient Care and Affordable Care Act continues to provide 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 2014 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 each Institution's ability to meet its obligations under its Loan Agreement and the Obligated Group's ability to meet its obligations under the Series 2014 Obligations, in each case with respect to debt service on the Series 2014 Bonds. For example, as described in Appendix B-1 under the caption "SCHOOLS AND PROGRAMS – Touro University Nevada – Enrollment," the termination of a Nevada state financial aid programs for certain course offerings resulted in a significant reduction in enrollment in such courses. See also the discussion under the caption "FINANCIAL INFORMATION - Management Discussion of Financial Results – Fiscal Year 2013" in Appendix B-1 with respect to the impact of certain changes in New York State's Tuition Assistance Program. 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 also the caption "FINANCIAL AID" in Appendix B-1 to this Official Statement. As described in note 12(b) of the financial statements attached hereto as Appendix B-2 to this Official Statement, the College recently reached a settlement with the federal government relating to whether or not certain of its locations had been approved to participate in particular student aid programs.

### *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 2014 Bonds is being used to purchase and renovate (or to reimburse the costs of purchasing and renovating) certain buildings and the Members of the Obligated Group 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 other 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.

### *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 Agreements 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 2014 Bonds, as necessary. Interest on the Series 2014 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 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 Agreements 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 Agreements or on the Series 2014 Obligations may be stayed or under certain circumstances subject to avoidance and the interests of the Trustee with respect to payments on the Series 2014 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 2014 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 2014 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 2014 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 2014 Obligations and, in turn, the debt service on the Series 2014 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 Institutions, 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. At the time of issuance of the Series 2014 Obligations, the Obligated Group 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 2014 Obligations, and in certain circumstances by Permitted Liens that are senior to the lien on Gross Revenues securing the Series 2014 Obligations. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 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 2014 Obligations 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 principal amount of the Series 2014 Obligations at the time of issuance. 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 2014 Obligations and the Obligations expected to be issued concurrently with the Series 2014 Obligations, 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 2014 BONDS - Obligations under the Master Indenture - Concurrent Obligated Group Financings" and "- 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 2014 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 2014 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 2014 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 2014 Bonds. Such failure with respect to an 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 2014A Bonds in gross income for federal income tax purposes retroactive to the date of issuance of such Series 2014 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 2014A Bonds are not subject to redemption, nor are the interest rates on the Series 2014A Bonds subject to adjustment, in the event of a determination by the Internal Revenue Service (the “IRS”) or a court of competent jurisdiction that the interest paid or to be paid on any Series 2014A Bond is or was includible in the gross income of the owner of a Series 2014A Bond for federal income tax purposes. Such determination may, however, result in a breach of DASNY’s and each Institution’s tax covenants set forth in the General Resolution and the related Loan Agreement, which may constitute an event of default thereunder. It may be that Bondholders would continue to hold their Series 2014A 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 2014A Bonds. Bondholders of the Series 2014A Bonds are advised that, if an audit of the Series 2014A 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 2014A 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 2014A 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. As disclosed in Appendix B-1 under the caption “OUTSTANDING DEBT AND OTHER OBLIGATIONS - Other Obligations,” DASNY has submitted an application for an agreement pursuant to the IRS’s voluntary compliance agreement program with respect to actions taken by NYMC with respect to property financed with the proceeds of the Series 1998 Bonds, a portion of which are being refinanced with the Series 2014B Bonds.

#### *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 2014A Bonds from gross income for federal income tax purposes, and thus on the economic value of the Series 2014A 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 2014A 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 2014A Bonds may be proposed or enacted.

#### **Additional Indebtedness**

Additional Indebtedness may be incurred by the Obligated Group from time to time while the Series 2014 Bonds remain outstanding. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2014 BONDS - Additional Bonds” and “- Other Indebtedness,” and Appendices C, D and E.

#### **Redemption and Acceleration**

The Series 2014 Bonds are subject to redemption, without premium, in advance of their stated maturities as described under the caption “PART 3 - THE SERIES 2014 BONDS – Redemption of the Series 2014 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 Agreements, the Series 2014 Bonds may become subject to acceleration. If Series 2014 Bonds are either redeemed or accelerated prior to their stated maturity, the owners of such Series 2014 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 Agreements may be made without the consent of owners of the Series 2014 Bonds or with the consent of the owners of two-thirds in aggregate principal amount of the outstanding Series 2014 Bonds of an affected Series. 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 Agreements.

Any of such amendments could adversely affect the security of the holders of the Series 2014 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 2014 Obligations.

There can be no assurances that any such amendment will not be adverse to the interests of the holders of the Series 2014 Bonds or will not adversely affect any then current ratings on the Series 2014 Bonds.

### **Investment Grade Rating**

The lowering or withdrawal of the investment grade rating initially assigned to the Series 2014 Bonds could adversely affect the market price and the market for the Series 2014 Bonds.

### **Secondary Market**

Although the Underwriters presently intend to make a market for the Series 2014 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 2014 Bonds, and the absence of such a market could result in investors not being able to resell their Series 2014 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 March 31, 2014, DASNY had approximately \$46 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 520 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 55 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. Two of the appointments to the Board by the Governor are 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 current term expires on March 31, 2016.

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 expires on March 31, 2016.

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.

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 expires on August 31, 2016.

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Ronski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. 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. Ronski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Roman B. Hedges was appointed as a Member of DASNY by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

JOHN B. KING, JR., J.D., Ed.D., Commissioner of Education of the State of New York, Slingerlands; ex-officio.

John B. King, Jr. was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

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

Howard A. Zucker, M.D., J.D., was appointed Acting Commissioner of Health on May 5, 2014. Prior to his appointment 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 J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

ROBERT L. MEGNA, Budget Director of the State of New York, Albany; ex-officio.

Robert L. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than \$90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of DASNY is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of DASNY. Mr. Williams is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Williams spent the majority of his career in law including 15 years as a founding partner in Wood, Williams, Rafalsky & Harris, where he helped to develop a national bond counsel practice, then as a partner in Bryan Cave LLP, where he counseled corporate clients in a range of areas. Mr. Williams later left the practice of law to help to establish a boutique Wall Street investment banking company where he served as president for several years. Throughout his career, Mr. Williams has made significant efforts to support diversity and promote equal opportunity, including his past service as president of One Hundred Black Men, Inc. and chairman of the Eagle Academy Foundation. Mr. Williams is licensed to practice law in the State of New York and holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

MICHAEL T. CORRIGAN is the Vice President of 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's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing 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's degree from the State University of New York at Albany.

LINDA H. BUTTON is the Acting Chief Financial Officer and Treasurer of DASNY. Ms. Button oversees and directs the activities of the Office of Finance. She is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Ms. Button has served in various capacities at DASNY over a long career, most recently as Director, Financial Management in the Office of Finance. She holds a Bachelor of Business Administration degree in Accounting from Siena College.

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. 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.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology 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.

### **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, 2013. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

## **PART 10 - LEGALITY OF THE SERIES 2014 BONDS FOR INVESTMENT AND DEPOSIT**

Under New York State law, the Series 2014 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 2014 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 2014 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 2014 Bonds.

## PART 12 - TAX MATTERS

### Series 2014A Bonds

#### *General*

In the opinion of Hawkins Delafield & Wood LLP, bond counsel to DASNY (“Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2014A 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 2014A 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 opinions, Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by DASNY and the Institutions in connection with the Series 2014A Bonds, and Bond Counsel to DASNY has assumed compliance by DASNY and the Institutions with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014A Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Bond Counsel to DASNY has relied on the opinion of counsel to the Institutions regarding, among other matters, the current qualifications of each of the Institutions as an organization described in Section 501(c)(3) of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Series 2014 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2014A Bonds. Bond Counsel 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. Bond Counsel 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 2014A Bonds, or under state and local tax law.

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

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2014A Bonds in order that interest on the Series 2014A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2014A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2014A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. DASNY and the Institutions have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2014A Bonds from gross income under Section 103 of the Code.

#### *Certain Collateral Federal Tax Consequences*

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2014A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2014A 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 2014A Bonds.

Prospective owners of the Series 2014A 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 2014A 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 2014A 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 2014A 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 Series 2014A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2014A 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 2014A 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 original issue discount 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 2014A 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 2014A 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 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 2014A 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 2014A 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 2014A 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, may adversely affect the tax-exempt status of interest on the Series 2014A Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2014A 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) and such decisions could affect the market price or marketability of the Series 2014A Bonds. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on “all itemized deductions, as well as other tax benefits” including “tax-exempt interest.” The net effect of such proposal, if enacted into law, would be that an owner of a Series 2014A Bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such Series 2014A Bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on preference items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their “modified adjusted gross income,” defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Series 2014A Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed form of the opinion of Bond Counsel relating to the Series 2014A Bonds is set forth in Appendix F hereto.

### **Series 2014B Bonds**

#### *General*

In the opinion of Bond Counsel, interest on the Series 2014B Bonds (the “Taxable Bonds”) (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York).

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

the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

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

#### *U.S. Holders - Interest Income*

Interest on the Taxable Bonds is not excludable from gross income for United States Federal income tax purposes.

#### *Original Issue Discount*

For United States Federal income tax purposes, a Taxable Bond will be treated as issued with original issue discount (“OID”) if the excess of a Taxable Bond’s “stated redemption price at maturity” over its “issue price” equals or exceeds a statutorily determined de minimis amount. The “issue price” of each Taxable Bond in a particular issue equals the first price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Taxable Bond is the sum of all payments provided by such Taxable Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Taxable Bond’s stated redemption price at maturity over its issue price is less than .25 percent of the Taxable Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity (the “de minimis amount”), then such excess, if any, constitutes de minimis OID, and the Taxable Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Taxable Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holder’s regular method of tax accounting. A U.S. Holder of a Taxable Bond having a maturity of more than one year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder’s regular method of tax accounting. The amount of OID included in income by the U.S. Holder of a Taxable Bond is the sum of the daily portions of OID with respect to such Taxable Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Taxable Bond. The daily portion of OID on any Taxable Bond is determined by allocating to each day in any “accrual period” a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Taxable Bond may be of any length and the accrual periods may vary in length over the term of the Taxable Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Taxable Bond’s “adjusted issue price” at the beginning of such accrual period and such Taxable Bond’s yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Taxable Bond at the beginning of any accrual period is the issue price of the Taxable Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Taxable Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Taxable Bond (other than a payment of qualified stated interest) and (ii) the Taxable Bond’s adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.



A U.S. Holder may elect to include in gross income all interest that accrues on a Taxable Bond using the constant-yield method described immediately above under the heading “Original Issue Discount,” with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and de minimis OID, as adjusted by any amortizable bond premium described below under the heading “Bond Premium”. In applying the constant-yield method to a Taxable Bond with respect to which this election has been made, the issue price of the Taxable Bond will equal its cost to the electing U.S. Holder, the issue date of the Taxable Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Taxable Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Taxable Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Taxable Bond with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which the Taxable Bond with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of any Taxable Bonds issued with OID 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 state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Bonds.

#### *Bond Premium*

In general, if a U.S. Holder acquires a Taxable 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 Taxable 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 Taxable Bond (a “Taxable Premium Bond”). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable 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 highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such holder’s basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service’s consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder’s regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder’s original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to 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, and disposition of Taxable Premium Bonds.

#### *U.S. Holders - Disposition of Taxable Bonds*

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

### *U.S. Holders - Defeasance*

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

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

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding at a rate of 28% for the years 2003-2010 and at a rate of 31% for the year 2011 and thereafter, will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

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

### *Circular 230 Disclosure*

The advice under the caption above “Series 2014B Bonds” concerning certain income tax consequences of the acquisition, ownership and disposition of the Taxable Bonds, was written to support the marketing of the Taxable Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Taxable Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder’s particular circumstances from an independent tax advisor.

### *Miscellaneous*

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

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

The proposed form of the opinion of Bond Counsel relating to the Series 2014B Bonds is set forth in Appendix F hereto.

## **PART 13 - STATE NOT LIABLE ON THE SERIES 2014 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 2014 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 2014 Bonds by DASNY are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to DASNY, and to certain conditions. The approving opinions of Bond Counsel will be delivered with the Series 2014 Bonds. The proposed forms of such opinions 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 NYMC's General Counsel, by Nevada special counsel, Ballard Spahr LLP, Las Vegas, Nevada, by California special counsel, Roscha & Odne LLP, Concord, California, and by special counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Bryan Cave LLP, Kansas City, Missouri.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2014 Bonds or questioning or affecting the validity of the Series 2014 Bonds or the proceedings and authority under which they are to be issued.

In connection with the issuance of the Series 2014 Bonds, the attorneys or law firms identified in the preceding paragraphs are acting as Bond Counsel and counsel to the Obligated Group and the Underwriters. In other transactions not related to the Series 2014 Bonds or the issuance of the California Bonds or the Nevada 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 Underwriters, 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 2014 Bonds are being purchased for reoffering by the underwriters listed on the cover page hereof (collectively, the "Underwriters"), for whom Stifel, Nicolaus & Company, Incorporated will act as representative, pursuant to a bond purchase agreement between DASNY and the Underwriters, and as approved by the Institutions. The Underwriters have agreed, subject to certain conditions, to purchase the Series 2014A Bonds from DASNY at an aggregate purchase price of \$59,104,999.75 (reflecting a net original issue premium of \$3,756,460.10 and an Underwriters' discount of \$611,460.35), to purchase the Series 2014B Bonds from DASNY at an aggregate purchase price of \$37,696,251.89 (reflecting an original issue discount of \$243,236.50 and an Underwriters' discount of \$385,511.61) and to make a public offering of the Series 2014 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 Underwriters will be obligated to purchase all such Series 2014 Bonds if any are purchased.

The Series 2014 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective 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 Underwriters and their 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 Underwriters and their respective 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.

## **PART 17 - CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the College, in its capacity as the Obligated Group Representative, has undertaken in a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Bondholders of the Series 2014 Bonds to provide to Digital Assurance Certification LLC (“DAC”), on behalf of DASNY as DASNY’s disclosure dissemination agent, on or before 180 days after the end of each Fiscal Year, commencing with the Fiscal Year of the Obligated Group ending June 30, 2014, for filing by DAC with the Municipal Securities Rulemaking Board (“MSRB”) and its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in “PART 7 - THE OBLIGATED GROUP” of this Official Statement and “Appendix B-1 - Touro College and University System Obligated Group - Organization and Operations” (the “Annual Information”), together with the consolidated financial statements of the College and the financial statements of each of the other Members of the Obligated Group prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America. However, if audited financial statements are not then available, unaudited financial statements are to be delivered to DAC for delivery to the MSRB.

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

The College also will undertake in the Continuing Disclosure Agreement to provide to DASNY, the Trustee and DAC, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”), in a timely manner, such that DAC will be able to file such Notices no later than 10 business days after the occurrence of the event. In addition, DASNY and the Trustee have undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should DASNY have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the College, the Trustee or DASNY, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2014 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the College, DASNY or the Trustee has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the College, the Trustee or DASNY and shall not be deemed to be acting in any fiduciary capacity for DASNY, the Obligated Group, the Holders of the Series 2014 Bonds or any other party. DAC has no responsibility for the failure of DASNY or the College to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the College, the Trustee or DASNY has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the College, the Trustee and DASNY with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as DASNY’s disclosure dissemination agent terminate, DASNY will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in “Appendix B-1 - Touro College and University System Obligated Group - Organization and Operations” in the tables (i) “INTRODUCTION AND OVERVIEW” under the headings Total

Fall Semester Enrollment (Total Headcount) and Total Fall Semester Enrollment (Full-Time Equivalent), (ii) “SCHOOLS AND PROGRAMS – Touro College” under the headings Admission Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment and Tuition and Fees, (iii) “SCHOOLS AND PROGRAMS – Touro University” under the headings Admission Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment and Tuition and Fees, (iv) “SCHOOLS AND PROGRAMS – Touro University Nevada” under the headings Admission Statistics Summary Applications, Acceptances, Matriculations and Total Enrollment and Tuition and Fees, (v) “SCHOOLS AND PROGRAMS – New York Medical College” under the headings 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.

The Notices include notices of any of the following events (the “Notice Events”) with respect to the Series 2014 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, IRS notices or events affecting the tax status of the Series 2014A Bonds; (7) modifications to the rights of holders of the Series 2014 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2014 Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of a Member of the Obligated Group; (14) merger, consolidation or acquisition of a Member of the Obligated Group, if material; and (15) appointment of a successor or additional trustee, or the change in name of a trustee, if material. In addition, DAC will undertake, for the benefit of the Holders of the Series 2014 Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the College to provide the Annual Information and annual financial statements by the date required in the College’s undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the College, the Trustee and/or DASNY, and no person, including any Holder of the Series 2014 Bonds, may recover monetary damages thereunder under any circumstances. DASNY or the College may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2014 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2014 Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2014 Bonds. However, the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of the Series 2014 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement will not constitute an Event of Default under the General Resolution, the Series 2014A Resolution, the Series 2014B Resolution or the Loan Agreements. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, will no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2014 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2014 Bonds will be on file at the principal office of DASNY.

### *Additional Disclosures*

Pursuant to the College Loan Agreement, the College, in its capacity as the Obligated Group Representative, has agreed to make certain additional disclosures to DAC for filing with the MSRB and its Electronic Municipal Market Access system. See the caption “PART 20 - MISCELLANEOUS” in this Official Statement.

### *Prior Undertakings and Compliance*

In the past five years, NYMC and TU are the only Members of the Obligated Group that have been parties to any agreement to provide continuing disclosure under Rule 15c2-12.

NYMC. NYMC entered into a continuing disclosure undertaking in connection with the issuance of the Series 1998 Bonds pursuant to which NYMC agreed to annually file its audited financial statement, certain operating information and event notices with the MSRB. In the past five years, NYMC has failed to comply with its prior continuing disclosure undertaking as a result of: (i) filing a draft of its audit for the fiscal year ended June 30, 2009 one day late, with the final audit being filed four days later; (ii) filing its operating data information for the fiscal year ended June 30, 2013, seven days late, and (iii) filing its audit and operating data information for the fiscal year ended June 30, 2012, 258 days late. NYMC’s audit and operating data information for the 2012 fiscal year were provided by NYMC to the dissemination agent for the Series 1998 Bonds prior to the deadline for filing; however, the dissemination agent failed to file the reports with the MSRB as agreed to in the continuing disclosure agreement relating to the Series 1998 Bonds.

In addition, some, but not all, of the event notices relating to each rating change or rating withdrawal for the Series 1998 Bonds resulting from a change in the rating or withdrawal of the rating of MBIA Insurance Corporation (the “**Series 1998 Bond Insurer**”) were filed with the MSRB through the EMMA system or other applicable repositories. The Series 1998 Bonds are insured by the Series 1998 Bond Insurer and, in the past five years, as each of Moody’s, S&P and Fitch downgraded, raised or withdrew their respective ratings of the Series 1998 Bond Insurer, the corresponding ratings on the Series 1998 Bonds were changed and, in the case of Fitch, was withdrawn.

TU. TU entered into a continuing disclosure undertaking in connection with the issuance of the bonds being refunded by the California Bonds pursuant to which TU agreed to annually file its audited financial statement, certain operating information and event notices with the MSRB. Since the issuance of the bonds being refunded by the California Bonds, TU has not failed to materially comply with its prior continuing disclosure undertaking.

## **PART 18 -RATING**

Fitch Ratings (“Fitch”) has assigned a rating of “BBB-” with a stable outlook to the Series 2014 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 2014 Bonds.

## **PART 19 - VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Berens-Tate Consulting Group (the “Verification Agent”), a firm of independent certified public accountants, will deliver to DASNY, the Obligated Group and the Underwriters on or before the delivery date of the Series 2014 Bonds, its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Obligated Group and its representatives. Included in the scope of the report will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash to pay, when due, the maturing principal of, interest on and any redemption premium of the Series 1998 Bonds, and (b) the mathematical computations supporting the conclusions of Bond Counsel that the Series 2014A Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

## PART 20 - MISCELLANEOUS

### Additional Continuing Disclosure.

On or before 105 days after the end of the second quarter of each Fiscal Year, commencing with the second quarter of the Fiscal Year of the Obligated Group ending June 30, 2015, for filing by DAC with the MSRB and its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in “PART 7 - THE OBLIGATED GROUP” of this Official Statement and “Appendix B-1 - Touro College and University System Obligated Group - Organization and Operations” (the “Semiannual Information”).

The Semiannual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in “Appendix B-1 - Touro Obligated Group - Organization and Operations” in the tables under the following headings FINANCIAL INFORMATION – Financial Statements and Accounting Matters – Summary Financial Statements” under the headings (i) Statements of Activities, (ii) Statements of Financial Position, (iii) Obligated Group Historical Financials Income Statement – Unaudited and (iv) Obligated Group Historical Financials Balance Sheet – Unaudited (all of which shall be unaudited and shall include information in the income statement showing the calculation of the change in unrestricted net assets and shall include an unaudited cash flow statement for the Obligated Group, all in form reasonably determined by the Obligated Person but without footnotes) for the six months ended and as of the end of the second quarter of each fiscal year of the Obligated Person, commencing with the second quarter of the fiscal year ending June 30, 2015 and, beginning with the Semiannual Report filed during the fiscal year ending June 30, 2016, each Semiannual Report shall include comparable information for the same period in the prior fiscal year; and (b) operating data and financial information of the type included in the Official Statement in “Appendix A - Touro Obligated Group - Organization and Operations” in the tables under the following headings: (i) “INTRODUCTION AND OVERVIEW” under the headings Total Fall Semester Enrollment (Total Headcount) and Total Fall Semester Enrollment (Full-Time Equivalent) for the Fall of the then current fiscal year, together with (c) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Obligated Group and in judging the financial and operating condition of the Obligated Group.

If (a) during the 30-day period following the filing of each Annual Report, the Obligated Person receives requests from the Obligated Group Debt Holders of at least 25% of the principal amount of Obligations outstanding to conduct a conference call, or (b) notice of a principal or interest payment delinquency or non-payment related default, if material, is filed pursuant to subsection 1 or 2 of Section 2(e)(iv) of the Continuing Disclosure Agreement, the Obligated Person shall conduct a conference call (a “Conference Call”) during which the Obligated Person shall review, in the case of (a) above, the most recent Annual Report or, in the case of (b) above, the event described in the notice. Each Conference Call shall be scheduled to be held within 30 days after the receipt of sufficient requests pursuant to clause (a) or the filing of the notice described in clause (b). The Obligated Person shall, with the assistance of the Disclosure Dissemination Agent, file a notice setting forth the date, time and dial-in information with at least 10 days notice (the “Call Notice”) of a Conference Call through the Electronic Municipal Market Access system.

Within 180 days of filing a Consultant Report with the Master Trustee, the Obligated Person shall provide a status report relating to such Consultant Report for purposes of filing a Notice Event related thereto.

The sole and exclusive remedy for breach or default under the provisions of the College Loan Agreement described under this caption “Additional Continuing Disclosure” is an action to compel specific performance of the undertaking.

### General.

Reference in this Official Statement to the Act, the Resolutions, the Loan Agreements, the Master Indenture, the Series 2014 Supplemental Indentures, the Series 2014 Obligations and the Mortgages do not purport to be complete. Refer to the Act, the Resolutions, the Loan Agreements, the Master Indenture, the Series 2014 Supplemental Indentures, the Series 2014 Obligations 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 2014 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2014 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2014 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 Approving Opinion of Bond Counsel” have been prepared by Hawkins Delafield & Wood LLP, New York, New York, 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, 2013 and 2012 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.

“Appendix B-3 - Financial Statements of New York Medical College and Independent Auditors’ Report” contains the financial statements of NYMC as of and for the years ended June 30, 2013 and 2012 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-3, any procedures on NYMC’s financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement. The financial statements of NYMC are consolidated into the financial statements of the College included in Appendix B-2.

The Obligated Group has reviewed the parts of this Official Statement describing the Obligated Group, the Sources of Payment and Security for the Series 2014 Bonds, the Estimated Sources and Uses of Funds, Principal and Interest Requirements, the Plan of Finance, Bondholders’ Risks and Appendices B-1, B-2, B-3 and E. The Obligated Group Representative, as a condition to issuance of the Series 2014 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 Underwriters and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

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

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

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



**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, (ii) when used in the context of the Loan Agreement between the Authority and Touro College, means the Series 2014A Bonds, and (iii) when used in the context of the Loan Agreement between the Authority and New York Medical College, means the Series 2014 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 2014 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.

“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, Touro College 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 IBCA, 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 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 (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.

“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 Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, 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.

“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 40 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. 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”), and a College of Pharmacy (“TouroRx”).
- 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 (“TC-LA”) 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.
- Other related entities include various foundations, yeshivas, and special purpose entities.

Touro, TU, TUN, NYMC and the above-mentioned related entities are sometimes referred to herein collectively as the “System.” The Obligated Group Members currently are Touro College, Touro University, Touro University Nevada and New York Medical College.

Touro, TU, TUN and NYMC are separate not-for-profit 501(c)(3) organizations. Touro is the sole member of TU and TUN and the Boards of Touro, TU and TUN are identical. Touro's wholly-owned subsidiary, NYMC, LLC (also a 501(c)(3) organization), 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.

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 45 years, the System has grown into an organization with locations throughout the world; a combined enrollment of more than 18,300 full-time and part-time students and over 80,000 alumni; over 6,000 full and part time personnel, including over 1,500 full time faculty and 1,000 part time faculty; and an operating budget for the current fiscal year 2013-2014 of over \$475 million. Fall semester enrollment in the System's programs for the academic years 2009-2013 is as follows:

	<b><u>Total Fall Semester Enrollment</u></b>				
	<b>(Total Headcount)</b>				
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Touro College</u></b>					
TouroCOM*	624	612	585	563	432
TouroRx*	390	366	333	229	140
School of Health Sciences*	1,157	1,121	1,084	1,050	1,067
Graduate Education	3,297	3,303	3,671	4,128	4,385
Graduate Psychology	216	247	270	269	246
Other Graduate Programs	654	602	544	361	313
Law School	684	765	829	849	806
Lander Colleges –					
Undergraduate	2,752	2,761	2,886	2,907	2,735
NY School of Career & Applied Sciences	3,635	4,028	4,199	4,145	4,435
Foreign Programs	<u>393</u>	<u>415</u>	<u>406</u>	<u>414</u>	<u>355</u>
<b>Subtotal Touro College</b>	<b>13,802</b>	<b>14,220</b>	<b>14,807</b>	<b>14,915</b>	<b>14,914</b>
TU*	1,741	1,654	1,598	1,514	1,375
TUN*	1,129	1,103	1,130	1,410	1,299
NYMC*	1,527	1,543	1,528	1,498	1,467
Yeshivas	<u>181</u>	<u>176</u>	<u>165</u>	<u>160</u>	<u>173</u>
<b>System total</b>	<b><u>18,380</u></b>	<b><u>18,696</u></b>	<b><u>19,228</u></b>	<b><u>19,497</u></b>	<b><u>19,228</u></b>
<b>Obligated Group Enrollment</b>	<b><u>6,568</u></b>	<b><u>6,399</u></b>	<b><u>6,258</u></b>	<b><u>6,264</u></b>	<b><u>5,780</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.

	<b><u>Total Fall Semester Enrollment</u></b> <b>(Full-Time Equivalents)</b>				
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Touro College</u></b>					
TouroCOM*	624	612	585	563	432
TouroRx*	390	366	333	229	140
School of Health Sciences*	847	827	782	773	798
Graduate Education	2,201	2,261	2,452	2,790	3,076
Graduate Psychology	186	222	229	231	216
Other Graduate Programs	504	453	405	331	299
Law School	608	686	747	768	723
Lander Colleges –					
Undergraduate	2,394	2,349	2,491	2,568	2,297
NY School of Career & Applied Sciences	3,093	3,054	3,231	3,232	3,358
Foreign Programs	<u>333</u>	<u>333</u>	<u>295</u>	<u>258</u>	<u>315</u>
<b>Subtotal Touro College</b>	<b>11,180</b>	<b>11,163</b>	<b>11,550</b>	<b>11,743</b>	<b>11,654</b>
TU*	1,238	1,258	1,268	1,266	1,185
TUN*	1,102	1,075	1,096	1,337	1,224
NYMC*	1,289	1,326	1,291	1,299	1,305
Yeshivas	<u>181</u>	<u>176</u>	<u>165</u>	<u>160</u>	<u>173</u>
<b>System total</b>	<b><u>14,990</u></b>	<b><u>14,998</u></b>	<b><u>15,370</u></b>	<b><u>15,805</u></b>	<b><u>15,541</u></b>
<b>Obligated Group Enrollment</b>	<b><u>5,490</u></b>	<b><u>5,464</u></b>	<b><u>5,355</u></b>	<b><u>5,467</u></b>	<b><u>5,084</u></b>

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

Touro College does not have one central campus, but rather has more than 39 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 in Henderson, Nevada and Westchester County, New York, respectively. For a description of the properties owned by 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 will initially be comprised of Touro, TU, TUN and NYMC. Touro will serve as the Obligated Group Representative (the “Representative”). The Obligations 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 new Middletown campus described herein),

TouroRx and SHS. 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, will not be 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, 2013, the Gross Revenues of TU, TUN, NYMC and the Designated Enterprise Revenues of Touro constituted approximately \$300 million of the consolidated revenues of the System, which is approximately 67% of total consolidated revenues of the System.

In addition, the Obligations will be 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. See “OUTSTANDING DEBT AND OTHER OBLIGATIONS.”

## **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’s Assistant, Physical Therapy, Occupational Therapy, Nursing, Speech Pathology, Occupational Therapy Assistant and an undergraduate degree in health sciences)
- Graduate School of Education
- Other Graduate Programs (Psychology, Social Work, Jewish Studies, Technology and Business)
- Jacob D. Fuchsberg Law Center
- 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, Paris, 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 549 students in its four-year program in addition to approximately 79 students in its Master of Science Program. TouroRx admitted its first class of 66 students in 2008 and currently has 390 students enrolled in its four year program leading to the Doctor of Pharmaceutical Studies (PharmD) degree (out of a

potential full enrollment of 400). TouroRx students spend most of their fourth year rotating to various clinical sites.

TouroCOM is accepting students for its new extension campus in Middletown, New York, which is expected to open in August 2014.

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 Occupational Therapy Programs. Total enrollment in SHS exceeds 1,100, including a first professional Doctorate degree in Physical Therapy, Masters level programs in Occupational Therapy, Physician Assistant Studies and Speech-Language Pathology, Bachelor and Associate degrees in Nursing and an Associate degree in Occupational Therapy Assistant Studies.

Touro College Jacob D. Fuchsberg Law Center (also referred to as the “Law School”) 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 of 750 to 850 students declined to 684 students in Fall 2013 and is expected to remain at approximately 600-650 students reflecting the national decline in law school applications.

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 eight facilities in Manhattan, twelve facilities in Brooklyn and two facilities in Queens. The Graduate Schools of Education and Psychology also operate at the main campus of SHS in Bay Shore in Suffolk County, New York. The administrative offices of Touro are primarily located in one of its Manhattan facilities with some departments located at other Manhattan and Brooklyn locations. Limited graduate and undergraduate programs are also conducted in leased facilities in Florida, Berlin, Paris, Moscow and Israel. Touro is currently in the process of closing its programs in Florida and Paris.

In order to secure Obligations issued under the Master Indenture, Touro is granting a mortgage on SHS’s main campus in Bay Shore. 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 Miami Beach, Florida, Berlin, Jerusalem, Moscow and Paris.

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; TouroRx is accredited by the Accreditation Council for Pharmacy Education (ACPE); the Physician Assistant programs are accredited by the Committee on Accreditation of Allied Health Education Programs; the Physical Therapy programs are accredited by the Commission on Accreditation in Physical Therapy Education; the Occupational Therapy programs are accredited by the Accreditation Council for Occupational Therapy Education; and the graduate program in Speech and Language Pathology is accredited by the American Speech-Language and Hearing Association.

***Faculty***

As of December 1, 2013, approximately 2% of the Touro College faculty was tenured.

**TOURO COLLEGE – FACULTY**

<u>Academic Year</u>	<u>Part-Time Instructors</u>	<u>Full Time Faculty</u>	<u>Total Faculty</u>
2009-10	940	712	1,652
2010-11	971	735	1,706
2011-12	1,035	723	1,758
2012-13	1,068	779	1,847
2013-14*	1,060	746	1,806

\*As of December 1, 2013.

***Labor Relations***

As of December 1, 2013, Touro employed 1,087 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, 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**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b><u>TouroCOM</u></b>		<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
			<b>Acceptance Ratio</b>	<b>Matriculation</b>		
2009-10	3,752	135	3.60%	130	96.30%	432
2010-11	3,895	138	3.54	135	97.83	563
2011-12	4,024	138	3.43	135	97.83	585
2012-13	5,206	138	2.65	135	97.83	612
2013-14*	5,149	138	2.68	135	97.83	624

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b><u>TouroRx</u></b>		<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
			<b>Acceptance Ratio</b>	<b>Matriculation</b>		
2009-10	869	112	12.89%	76	67.86%	140
2010-11	841	118	14.03	88	74.58	229
2011-12	1,441	143	9.92	99	69.23	333
2012-13	1,320	152	11.52	106	69.74	366
2013-14*	1,364	172	12.61	103	59.88	390

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b><u>SHS</u></b>		<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
			<b>Acceptance Ratio</b>	<b>Matriculation</b>		
2009-10	2,008	744	37.05%	441	59.27%	1,067
2010-11	2,547	735	28.86	453	61.63	1,050
2011-12	3,162	714	22.58	411	57.56	1,084
2012-13	2,779	602	21.66	436	72.43	1,121
2013-14*	2,748	590	21.47	431	73.05	1,157

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b><u>Law School</u></b>		<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
			<b>Acceptance Ratio</b>	<b>Matriculation</b>		
2009-10	2,095	962	45.92%	305	31.70%	806
2010-11	2,018	870	43.11	280	32.18	849
2011-12	1,653	851	51.48	260	30.55	829
2012-13	1,362	873	64.10	242	27.72	765
2013-14*	1,041	755	72.53	205	27.15	684

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\* As of December 1, 2013.

**Graduate Programs**

<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>
2009-10	20	54	4,385	246	80	159	4,944
2010-11	25	78	4,128	269	84	174	4,758
2011-12	39	78	3,671	270	196	231	4,485
2012-13	40	77	3,303	247	231	254	4,152
2013-14*	38	97	3,297	216	239	280	4,167

**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>
2009-10	2,606	1,621	62.20%	1,136	70.08%	8,222
2010-11	1,991	1,228	61.68	952	77.52	7,757
2011-12	2,053	1,202	58.55	935	77.79	7,478
2012-13	1,685	967	57.39	826	85.42	7,216
2013-14*	1,630	926	56.81	695	75.05	7,210

\*As of December 1, 2013.

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

***Tuition and Fees***

**TOURO COLLEGE**

<b>Academic Year</b>	<b>Undergraduate Tuition<sup>1</sup></b>	<b>Law School Tuition</b>	<b>PT/OT/PA Tuition</b>	<b>DO Tuition</b>	<b>Pharm Tuition</b>	<b>Other Graduate Programs Tuition (per course)</b>
2009-10	\$13,600	\$39,000	\$22,800	\$36,900	\$32,925	\$1,300
2010-11	14,000	40,950	23,600	38,700	34,600	1,350
2011-12	14,600	41,770	24,100	41,663	36,425	1,400
2012-13	15,075	41,770	25,639	43,667	37,475	1,450
2013-14*	15,470	41,770	25,750	44,560	37,700	1,490

<sup>1</sup> Approximately four courses per semester for full time students.

\* As of December 1, 2013.

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

***Financial Aid***

Approximately 85% of the students at Touro received financial aid (in the form of loans as well as scholarships) during academic year 2012-2013. 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) (“TUCOM”), the College of Pharmacy (providing the PharmD Degree) (“TURx”) and the College of Education and Health Sciences (offering Masters Degrees in Physician Assistant Studies, Public Health, Medical Health Sciences, Pharmacy Science 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 forty-eight-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 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. 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 a lecture hall seating 105 students 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 and racquetball courts.

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 and a large computer room. The library is connected to all major electronic reference services including the Library of Congress and the internet. An additional 10,000 square feet within this building houses the newly constructed pharmacy skills laboratory.

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. Three additional buildings were updated to house administrative and student services offices, the student health clinic, and several groupings of faculty offices.

In order to secure Obligations issued under the Master Indenture, TUC is granting 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 with Masters degrees in Media Communications, Industrial and Organizational Psychology and Marriage and Family Therapy. An MBA program was added in 2011. Effective July 2012, the management team responsible for TUI assumed the leadership of TUW, and in 2013, following the expiration of the remaining non-compete restrictions, Bachelor’s degrees in Business and Psychology and a PsyD degree were commenced. During the 2012-13 and 2013-14 academic years, TUW enrollment increased more than 50% above the prior year to over 180 in 2012-13 and over 270 in 2013-14.

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 has 105 students. Touro College Los Angeles charges tuition approximately in 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***

As of December 1, 2013, none of the TU faculty is tenured.

#### **TU FACULTY**

<b>Academic Year</b>	<b>Part-time Instructors</b>	<b>Full Time Faculty</b>	<b>Total Faculty</b>
2009-10	103	108	211
2010-11	141	112	253
2011-12	92	118	210
2012-13	87	121	208
2013-14*	67	128	195

\* As of December 1, 2013.

### ***Labor Relations***

As of December 1, 2013, TU employs 173 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>Applications Received</b>	<b>Students Accepted</b>	<b>TU</b>		<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
			<b>Acceptance Ratio</b>	<b>Matriculation</b>		
2009-10	7,331	620	8.46%	489	78.87%	1,375
2010-11	7,737	751	9.71	517	68.84	1,514
2011-12	7,842	845	10.78	500	59.17	1,598
2012-13	7,990	902	11.29	492	54.55	1,654
2013-14*	8,528	878	10.30	464	52.85	1,741

\* As of December 1, 2013.

**TU Enrollment Summary**

<b>Academic Year</b>	<b>Other Health Care</b>						
	<b>TUCOM</b>	<b>TURx</b>	<b>PA</b>	<b>Degrees</b>	<b>Education</b>	<b>TUW</b>	<b>TC-LA</b>
2009-10	541	384	113	84	167	0	86
2010-11	537	401	121	122	197	42	94
2011-12	551	405	130	138	175	119	80
2012-13	538	414	130	128	161	172	111
2013-14*	540	405	123	147	148	273	105

\* As of December 1, 2013.

***Tuition and Fees***

<b>Academic Year</b>	<b><u>HEALTH PROFESSIONS**</u></b>			
	<b>Tuition (PA)</b>	<b>Tuition (DO)</b>	<b>Tuition (Pharm)</b>	<b>Other Fees (per student)</b>
2009-10	\$37,080	\$38,800	\$34,650	\$240-1,750
2010-11	38,550	40,800	36,400	240-1,750
2011-12	40,485	42,840	38,200	240-1,750
2012-13	42,150	45,000	39,750	240-1,750
2013-14*	44,025	47,100	41,530	240-1,750

\* As of December 1, 2013.

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

<b>Academic Year</b>	<b><u>TUW Tuition</u></b>	<b><u>Annual Other Fees</u></b>
	<b>(per course)</b>	
2009-10	\$1,300	\$400
2010-11	1,350	400
2011-12	1,400	400
2012-13	1,450	400
2013-14*	1,500	400

\* As of December 1, 2013.

***Financial Aid***

Approximately 84% of the students at TUC received financial aid (in the form of loans as well as scholarships) in academic year 2012 – 2013. 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 142,000 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 Building One, currently vacant, can accommodate up to 150,000 square feet of additional university uses. TUN does not currently use Building Two. A portion of Building Two is currently occupied by rental tenants. The remainder of Building

Two, currently vacant, 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) and a Master of Physician Assistant Studies (MPAS). The College of Health and Human Services offers programs leading to Bachelor of Science in Nursing (generic and returning RN options) (BSN), Master of Science in Nursing (MSN), Doctor of Nursing Practice (DNP), Master of Occupational Therapy (MSOT), Doctor of Physical Therapy (DPT), Master of Education (Administration and Special Ed Generalist) (MEd), Master of Science in Camp Administration and Leadership and Education endorsement programs.

In order to secure Obligations issued under the Master Indenture, TUN is granting a deed of trust on its campus in Henderson, Nevada. 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***

As of December 1, 2013, none of the TUN faculty was tenured.

<u>Academic Year</u>	<u>TUN – FACULTY</u>		<u>Total Faculty</u>
	<u>Part-Time Instructors</u>	<u>Full Time Faculty</u>	
2009-10	60	110	170
2010-11	65	115	180
2011-12	60	112	172
2012-13	70	116	186
2013-14*	73	117	190

\* As of December 1, 2013.

## ***Labor Relations***

As of December 1, 2013, TUN employs 137 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 1,100 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. Beginning in Fall 2011, TUN's enrollment in its education program was reduced by approximately 50% from over 400 students due to the elimination of State subsidies for its graduate students in education and while TUN does not expect such funding to be restored in the foreseeable future, enrollment in the program currently exceeds 200 students. Enrollment in certain nursing programs was reduced in 2012 from 103 students in 2011 to 42 students due to regulatory issues. While Fall 2013 enrollment is only 28 students, those regulatory issues have been resolved and TUN expects enrollment in these programs to return to its former level.

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

<u>Academic Year</u>	<u>Applications Received</u>	<u>Students Accepted</u>	<u>TUN (COM &amp; PA)</u>		<u>Matriculation Ratio</u>	<u>Total Enrollment</u>
			<u>Acceptance Ratio</u>	<u>Matriculation</u>		
2009-10	3,302	274	8.30%	190	69.34%	629
2010-11	3,518	368	10.46	191	51.90	641
2011-12	3,559	395	11.10	190	48.10	639
2012-13	3,598	377	10.48	190	50.40	646
2013-14*	4,063	406	10.00	197	48.52	662 <sup>1</sup>

\* As of December 1, 2013.

<sup>1</sup>The breakdown of student enrollment for the Fall 2013 Semester was as follows: 543 students in the Doctor of Osteopathic Medicine program and 119 students in the Physician's Assistant program.

Academic Year	OT	PT	Medical Health	Enrollment Other TUN Colleges			Total Enrollment
				Campus Administration	Education	Nursing	
2009-10	59	26	7	4	449	125	670
2010-11	64	66	19	16	439	165	769
2011-12	66	106	30	27	159	103	491
2012-13	70	119	30	31	165	42	457
2013-14*	69	120	30	14	206	28	467

\* As of December 1, 2013.

### ***Tuition and Fees***

Academic Year	Tuition (PT/OT/PA)	TUN Tuition (DO)	Other Fees
2009-10	\$24,450-28,800	\$38,800	\$ 275
2010-11	25,470-29,955	40,800	1,600
2011-12	26,750-31,455	42,850	1,700
2012-13	28,820-32,700	45,000	1,700
2013-14*	29,070-34,170	47,100	1,700

\* As of December 1, 2013.

### ***Financial Aid***

Approximately 75% of the students at TUN received financial aid (in the form of loans as well as scholarships) in academic year 2012 – 2013. See “FINANCIAL AID” herein for the types of financial aid obtained in the past five fiscal years.

### **New York Medical College**

In May 2011, NYMC became the newest member in the family of graduate and professional schools in the Touro System. See “FINANCIAL INFORMATION” herein and Note 1 to the Touro College and related entities audited consolidated financial statements – “Acquisition of New York Medical College,” attached as Appendix B. Information regarding NYMC included herein for the period prior to May 2011 has been obtained by Touro from NYMC but has not been independently verified by Touro.

NYMC, founded in 1860, is an independent medical school and health sciences university located on 46 owned acres (including property purchased with the Skyline building in 2013), plus use of an additional 15 acres of county-owned land, as part of the campus in Valhalla, Westchester County, New York. NYMC recently purchased the Skyline Building (the “Skyline Building”) and renovated the Dana Road property, both adjacent to the existing 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 more than 1,500 students, 1,300 residents and clinical fellows, more than 3,000 faculty members, and 12,000 alumni. Touro also is exploring 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 being with Westchester Medical Center, St. Joseph's Hospital, Inc. and Metropolitan Hospital (through the New York City Health and Hospitals Corporation) and with the largest of such arrangements for faculty being with Westchester Medical Center.

The School of Medicine offers a Medical Doctor (M.D.) degree. The School of Health Sciences and Practice offers the Master in Public Health degree in Behavioral Sciences and Health Promotion, Environmental Health Science, Epidemiology, and Health Policy and Management; the Doctor of Health Policy Management (DrPH) degree; in the area of Physical Therapy, Doctor of Physical Therapy (DPT); in the area of Speech-Language Pathology, the Master of Science (MS) degree. NYMC also offers joint degree programs in Doctor of Physical Therapy (DPT)/Master in Public Health (MPH) and Medical Doctor (MD)/Master of Public Health Programs (MPH). The Graduate School of Basic Medical Sciences offers a Doctor of Philosophy (Ph.D) or Master's degrees in one of the following scientific disciplines - biochemistry and molecular biology, cell biology, microbiology and immunology, experimental pathology, pharmacology, or physiology.

In order to secure Obligations issued under the Master Indenture, NYMC is granting 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. 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.

## ***Faculty***

As of December 1, 2013, approximately 4.9% of the NYMC faculty was tenured.

<u>Academic Year</u>	<u>NYMC</u>		<u>Total Faculty</u>
	<u>Part Time Instructors</u>	<u>Full Time Faculty</u>	
2009-10	507	1,338	1,845
2010-11	539	1,379	1,918
2011-12	400	1,444	1,844
2012-13	369	1,179	1,548
2013-14*	335	1,262	1,597

\* As of December 1, 2013.

## ***Labor Relations***

As of December 1, 2013, NYMC employs 1,243 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, 2015; Local 32BJ, SEIU expiring September 30, 2014; and International Union Security Police Fire Professionals of America and its Affiliated Local Union No. 528 expiring September 30, 2016. 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**

<u>Academic Year</u>	<u>Applications Received</u>	<u>Students Accepted</u>	<u>NYMC - Medical School</u>		<u>Matriculation Ratio</u>	<u>Total Enrollment</u>
			<u>Acceptance Ratio</u>	<u>Matriculation</u>		
2009-10	9,427	698	7.40%	194	27.79%	792
2010-11	9,461	695	7.35	192	27.63	794
2011-12	9,527	736	7.73	197	26.77	792
2012-13	9,286	675	7.27	193	28.59	817
2013-14*	9,357	612	6.54	200	32.68	829

\* As of December 1, 2013.

**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>
2009-10	404	255	63.12%	139	54.51%	309
2010-11	417	217	52.04	148	68.20	364
2011-12	331	236	71.30	123	52.12	399
2012-13	292	194	66.44	132	68.04	375
2013-14*	280	193	68.93	102	52.85	357

**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>
2009-10	15	8	53.33%	6	75.00%	27
2010-11	15	7	46.67	7	100.00	28
2011-12	8	5	62.50	4	80.00	32
2012-13	8	5	62.50	4	80.00	31
2013-14*	7	4	57.14	3	75.00	30

**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>
2009-10	242	76	31.40%	29	38.16%	93
2010-11	361	75	20.78	24	32.00	87
2011-12	522	93	17.82	36	38.71	89
2012-13	458	90	19.65	40	44.44	100
2013-14*	460	91	19.78	36	39.56	104

**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>
2009-10	70	33	47.14%	25	75.76%	49
2010-11	96	38	39.58	23	60.53	48
2011-12	120	42	35.00	28	66.67	51
2012-13	138	44	31.88	26	59.09	54
2013-14*	150	56	37.33	32	57.14	60

**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>
2009-10	74	15	20.27%	12	80.00%	54
2010-11	78	19	24.36	9	47.37	54
2011-12	88	14	15.91	8	57.14	49
2012-13	74	21	28.38	5	23.81	37
2013-14*	56	20	35.71	9	45.00	37

\* As of December 1, 2013.

<b>Academic Year</b>	<b>Applications Received</b>	<b>Students Accepted</b>	<b><u>NYMC - Masters</u></b>		<b>Matriculation Ratio</b>	<b>Total Enrollment</b>
			<b>Acceptance Ratio</b>	<b>Matriculation</b>		
2009-10	434	162	37.33%	64	39.51%	143
2010-11	422	225	53.32	68	30.22	123
2011-12	384	171	44.53	54	31.58	116
2012-13	420	213	50.71	70	32.86	129
2013-14*	379	166	43.80	52	31.33	110

\* As of December 1, 2013.

### ***Tuition and Fees***

<b>Academic Year</b>	<b>Resident Medical Students Tuition</b>	<b><u>NYMC</u></b>		
		<b>Room</b>	<b>Other Fees</b>	<b>Total</b>
2009-10	\$43,400	\$19,484	\$1,072	\$63,956
2010-11	45,140	20,066	1,266	66,472
2011-12	46,496	20,986	1,266	68,748
2012-13	47,890	20,290	1,266	69,446
2013-14*	49,710	20,894	2,016	72,260

\* As of December 1, 2013.

### ***Financial Aid***

Approximately 87% of the students at NYMC received financial aid (in the form of loans as well as scholarships) during academic year 2012-2013. See “FINANCIAL AID” herein for the types of financial aid obtained in the past five fiscal years.

### ***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 two high schools that act as feeders to the College level program. The larger is located in a recently constructed facility adjacent to the Yeshiva’s main building and provides a complete academic facility with dormitories on the upper floors. The smaller high school located in an owned facility in Monsey, New York was recently renovated and expanded to improve its academic offerings.

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

None 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 \$3 million per year. Their assets, which are primarily fixed assets, have a book value of approximately \$45 million as of June 30, 2013.

### **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 and the book value of each as of June 30, 2013. Book value reflects the cost of the facilities less the accumulated depreciation and does not necessarily reflect the market value of such property. See “OUTSTANDING DEBT” herein.

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

<b>Location</b>	<b>Purpose</b>	<b>Book Value (\$ million)</b>
<b><u>TUC</u></b>		
1310 Club Drive, Mare Island, Vallejo, California	TUC campus	\$23.4
<b><u>TUN</u></b>		
874 and 882 American Pacific Drive, Henderson, Nevada	TUN campus	36.7
<b><u>NYMC</u></b>		
30 Sunshine Cottage Road, Valhalla, New York	Medical Education Center and Basic Sciences Building	53.2
19 Skyline Drive, Hawthorne, New York	Administrative, Services, Various Programs	16.9
7 Dana Road, Valhalla, New York	Various Programs	14.5
<b><u>Touro-SHS</u></b>		
1700 Union Blvd., Bay Shore, New York	Main campus of SHS	5.9

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

## Other Real Estate

Location	Purpose	Book Value (\$ million)
<u>NYMC</u>		
40 Sunshine Cottage Road, Valhalla, New York	Other facilities on the Campus of NYMC	\$78.4
<u>Lander Colleges</u>		
10 West 65th Street, New York, New York	Student housing for the Lander College for Women (LCW) with approximately 30 apartments leased to existing tenants <sup>(1)</sup>	53.3
1602-1606 Ave. J, Brooklyn, New York	Campus for Lander College of Arts and Sciences (LCAS) <sup>(1)</sup>	12.9
2002 Avenue J, Brooklyn, New York	Annex of LCAS under development <sup>(1)</sup>	4.0
175 West 85th Street, New York, New York	Original Dormitory for LCW <sup>(2)</sup>	4.9
225 West 60th Street New York, New York	Campus for LCW <sup>(1)</sup>	37.1
76-01 to 17 150th Street, Queens, New York	Campus and Student housing for Lander College for Men <sup>(1)</sup>	30.7
<u>Yeshivas</u>		
141-61 71st Ave, Queens, New York	Main campus and student housing for Yeshivas Ohr Hachaim	19.1
Rod & Gun Road, Forestburgh, New York	Birchwood Estates-Summer home for Yeshivas Ohr Hachaim	1.8
141-39 71st Ave, Queens, New York	Campus and student housing for the Yeshiva High School	5.8
51 Carlton Road, Monsey, New York	Campus for Monsey branch of the Yeshiva High School <sup>(1)</sup>	2.9
71-02 113th 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	2.3
<u>Law School</u>		
225 Eastview Drive, Central Islip, New York	Law School <sup>(1)</sup>	32.7

<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> This property was transferred to a third party and leased back by Touro, with an option to repurchase in 2016 or 2018.

After June 30, 2013, Touro purchased four townhouses to be used by the Lander College for Men for student housing to replace rental units in adjoining properties. The purchase price for such townhouses was approximately \$4.1 million. In connection with the purchase, Touro assumed a mortgage of approximately \$2.8 million.

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 \$71.2 million. See Note 17 to the June 30, 2013 Touro College and related entities consolidated financial statements.

## **STRATEGIC DIRECTION AND CAPITAL PROJECTS**

Touro's current five year plan involves building on the operations of existing programs, continuing to introduce or expand health science programs at its medical campuses and continuing to integrate NYMC into the System. Consistent with this approach, Touro is undertaking several capital projects, described below. Touro will open an extension campus of TouroCOM in Middletown, New York, approximately fifty miles north of New York City. Renovations are nearing completion and recruitment has begun to admit the first class in August 2014. Additional allied health programs may eventually be added to this campus but most likely after the extension campus achieves full enrollment in about five years. A portion of NYMC's newly acquired facility (the Skyline project as described below) is initially being used to house administrative offices, but 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 dental, nursing, occupational therapy and physician's assistant studies. Critical to Touro's future plans are expanded and improved technology for its academic programs and the implementation of a 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.

### *Touro College of Osteopathic Medicine, Middletown Campus*

As noted above, TouroCOM is planning to open an extension campus in the former Horton Hospital complex in Middletown, New York (the "Middletown Campus"). When fully operational, the new four year medical program would enroll more than 500 students and occupy up to 110,000 square feet of leased space in the complex. Touro plans to deploy state-of-the-art medical education technology, including a virtual gross anatomy lab. In addition to the medical program, a portion of the space may be devoted to other health-science related programs. TouroCOM has received certain approvals to admit the initial class for the new campus, and renovations are nearing completion for the first class to enter in August 2014 (expected to be approximately 125 students). Pre-opening operating expenses for start-up personnel and other costs are expected to be approximately \$4.7 million. The Middletown Campus is leased until February 2032 with an option to renew for an additional 10 years. Approximately \$10 million of the proceeds of the Dormitory Authority of the State of New York Touro College and University System Obligated Group Revenue Bonds, Series 2014A are intended to be applied to reimburse Touro for a portion of the cost of renovating the Middletown Campus.

### *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 intended to be 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. Approximately \$7.5 million of the proceeds of the Dormitory Authority of the State of New York Touro College and University System Obligated Group Revenue Bonds, Series 2014A will be applied to reimburse NYMC for a portion of the cost of renovating and equipping the clinical skills and disaster medicine center. Other sources of financing for the clinical skills and disaster medicine

project are \$3.25 million of grant funding through the NYS GenNYsis and \$348,000 from the NYS Higher Education Capital Match (HECAP) programs. The incubator center and training facility is separately funded with \$4,641,000 of grants from Empire State Development (ESD) and \$328,000 from the US Economic Development Authority (EDA) plus NYMC's \$328,000 match for the EDA grant. The facility is intended to facilitate the development of new biotechnology businesses in the vicinity of NYMC.

#### *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 will provide 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 \$14.25 million of the proceeds of the Dormitory Authority of the State of New York Touro College and University System Obligated Group Revenue Bonds, Series 2014A will be applied to reimburse NYMC for a portion of the cost of acquiring and renovating the Skyline Building.

#### *Touro College Physician Assistant Programs*

Touro College plans to establish at NYMC an extension center of its Physician Assistant ("PA") program, which currently operates in locations in Manhattan, Nassau County and Suffolk County. Touro initiated its PA program in the late 1980s and has been operating at full capacity, with current enrollment of approximately 320 students. The Manhattan program has received permission to enroll 20 additional students per class for the Fall 2014 semester. The Touro College PA program currently receives over 2,500 applications each enrollment cycle. Touro expects to have 140 students in this program at NYMC when fully operational. The final accreditation approval process for the new program at NYMC is currently underway and the first class is expected to begin in September 2015, assuming timely accreditor approval.

#### *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 September 2014, assuming timely accreditor approval. The first class is expected to initially consist of approximately 40-50 students.

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

There are currently three ADA-accredited dentistry programs in Downstate New York and a fourth program in Buffalo, New York. In the aggregate, these programs graduate approximately 450 students each year. Based on preliminary feasibility assessments, Touro and NYMC believe that there is an opportunity to create at NYMC, a dental school that could take advantage of synergies with existing medical school faculty and resources. The dental school would include a dental hygienist program and other related programs. Touro is pursuing approvals from its

regional accreditors, New York State and the American Dental Association to open a new dental school with a four year program in the Skyline Building with a capacity of approximately 400 students. The exact date of the opening of the dental school depends on the receipt of the aforementioned approvals and fundraising success. The costs relating to opening a dental school, including approximately \$15 million of specialized improvements and equipment plus start-up programmatic costs, is expected to be 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 and/or through a fundraising campaign for the new dental school.

#### *Various Other Programs*

Touro and NYMC intend to create a number of additional programs that leverage their respective strengths and existing programs. One program is a Master's of Science in Biology Education, building on Touro's expertise in Education and NYMC's in the life sciences. This will be a two year part-time program with an anticipated cohort of 20 new students each fall semester. It is anticipated that this program will start in September 2014.

Another program is a Masters in Mental Health Counseling, with a potential specialization in Pastoral Counseling. When fully operational in three years, this program would have an enrollment of about 40 students. The Mental Health Counseling program is expected to start in September 2014.

#### *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 four buildings on West 23<sup>rd</sup> Street in Manhattan and additional rented space at 65 Broadway. The leases on these properties will be expiring between 2015 and 2018. Touro is currently looking to consolidate its headquarters and classrooms in better-designed and more-efficient space and is seeking to acquire or lease space of approximately 250,000 square feet in midtown Manhattan.

#### *Information Technology*

Touro has identified the need to upgrade its information technology in order to better serve its students, to enhance its traditional educational offerings, and to keep current with developments in online education. As such, it intends to modernize and expand its technological infrastructure, including moving to more server-based applications, expanding its wireless coverage, and increasing technology in the classroom. Its most significant IT initiative over the coming years, however, will be to replace its existing Student Information System with a state-of-the-art system that will allow for greater student empowerment and self-service and more robust analytical reporting capabilities while maintaining strict regulatory compliance. It is expected that needs assessment, vendor selection, and the start of process improvement will be completed in the 2013-14 academic year, with system implementation beginning in the 2014-15 academic year. It is expected that once the system is implemented, staffing costs in the student services area will be able to be reduced by about \$800,000 per annum beginning in 2015. Total IT expenditures spread out over a period of five years are projected to be approximately \$23 million.



*TUN Project*

Up to three years of routine capital expenditures at TUN including, but not limited to, the construction, renovation and equipping of an active aging center including expanded clinical facilities and additional academic facilities will be financed with the proceeds of the City of Henderson, Nevada Public Improvement Trust Touro College and University System Obligated Group Revenue Bonds, Series 2014A Bonds.

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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-one members. A group of fifteen individuals currently comprise the Board of Trustees of Touro College, as well as the Boards of Touro University and Touro University Nevada 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

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

Abraham Biderman  
Eagle Advisors, LLC  
Investment Bankers

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

Rabbi Menachem Genack  
Chief Operating Officer  
OU Kosher

Allen Fagin  
Partner  
Proskauer Rose, LLC

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

Larry Platt, M.D.  
Ob Gyn – Physician

Jack Weinreb  
Weinreb Management Co.

Zvi Ryzman  
President and CEO  
American International Industries

David Lichtenstein  
President  
The Lightstone Group

Steve Rosenberg  
Chief Executive Officer  
Greystone Corporation

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

Leah Karfunkel  
Alumni Parent

Benjamin Chouake, M.D.  
Owner Physician – Emergimed

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. One third of the NYC 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 Levine, M.D. Arrhythmia & Pacemaker Center, Director
Alan Kadish, MD – President & CEO Touro College & University System	Moshe Lichtenstein The Lightstone Group
Gary Barnett Extell Development Company, President	Joseph Mark HRP Capital Inc., President
Howard Baruch, MD Premier Orthopedics, Owner	Martin Oliner, Esq. Touro Board Member
Benjamin Chouake, MD Touro Board Member	Raymond M. Planell, Esq. Bleakley Platt & Schmidt, Partner
Rabbi Menachem Genack Touro Board Member	Ronald F. Poe Ronald F. Poe & Associates, President
Gary S. Gettenberg, MD Brooklyn Endoscopy & Ambulatory Surgical System, Founder	Stephen Rosenberg Touro Board Member
Michael D. Israel, M.P.H. Westchester Medical Center, President & CEO	Maureen L. Roxe The Roxe Foundation, President
Michael Karfunkel AmTrust Financial Services Inc., Chairman	John Sampson NYS Senator

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.

**Alan Schoor, Senior Vice President and Chief Administrative Officer.** Mr. Schoor joined Touro in 2007. Prior to joining Touro College Mr. Schoor was the deputy executive director and chief administrative officer for the Jewish Board of Family and Children's Services. He has also served as deputy commissioner of general services for the City of New York; branch manager for Honeywell Controls New York City branch; and as consultant in the area of building operations and energy conservation. Mr. Schoor holds a B.S. in electrical engineering from City College of New York (CUNY) and an MBA in finance from 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 Bachelors 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 200 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. 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. 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. 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. 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.

**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 Vallejo (TUC) and Henderson, Nevada (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.

**Yoram Neumann, Ph.D, Chief Executive Officer, Touro University Worldwide.** Dr. Neumann joined Touro in 1998 and led TUI for 9 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.

**Jay Sexter, Ph.D., Vice President for National Affairs and CEO, Touro College of Osteopathic Medicine.** Dr. Sexter joined the Touro system in 1999 as Vice President for National Affairs. He founded TUN, TouroCOM and the new Middletown campus. He also guided the expansion of TUC from a college of osteopathic medicine to a broad based university for the health professions. Prior to coming to Touro, Dr. Sexter was president of Mercy College and was named Mercy's first president emeritus upon his departure in 1999. Prior to Mercy, he was provost and academic vice president of John Jay College of Criminal Justice, where he served as chief academic officer and was credited with doubling the grants received for research and was recognized for his work in the criminal justice area. Before going to John Jay, Dr. Sexter worked at Fordham University, where he rose from assistant professor to associate vice president for academic affairs. Prior to Fordham, Dr. Sexter was the youngest school district superintendent in New York State, where he also served as a principal, guidance counselor and teacher.

**Patricia Salkin, Dean, Jacob D. Fuchsberg Law Center.** Patricia Salkin was appointed Dean of the Jacob D. Fuchsberg Law Center in July 2012. Prior to joining Touro, Dean 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 a member of the New York State Bar Association's Standing Committee on Legal Education and Admission to the Bar and a member of the New York City Bar Association's Task Force on New Lawyers in a Changing Profession. She is a past chair of the American Association of Law School's State & Local Government Law Section. She is an appointed member of the National Environmental Justice Advisory Council, a Federal Advisory Committee to the U.S. Environmental Protection Agency. She is a member of the American Bar Association's House of Delegates and has chaired numerous NYSBA task forces. She has served on the board of directors of the New York Planning Federation and serves as the long-term chair of the American Planning Association's Amicus Curiae Committee. She is a reporter for the American Planning Association's Planning & Environmental Law publication and on the editorial advisory board for The Urban Lawyer. She is the author of numerous casebooks, treatises, books and more than 100 articles, columns, studies and reports. Dean Salkin received her B.A. from University at Albany – SUNY, and her J.D. from Albany Law School.

**Zvi Loewy, Interim Dean of Touro College of Pharmacy in New York.** Dr. Loewy has a diversified professional background that includes more than 30 years in academia, executive leadership with major global pharmaceutical companies, and creation and management of biotech startup companies. Dr. Loewy is a graduate of Yeshiva University (B.A.), Rensselaer Polytechnic Institute (M.S.) and the Albert Einstein College of Medicine (Ph.D.). In addition to his position at Touro College of Pharmacy, he is on the faculty of New York Medical College and serves on the boards of the Jerusalem College of Technology and the New Jersey Technology Incubator. Dr. Loewy is a member of the scientific advisory board of C3 Jian, a private company focused on providing improved oral health care. He is a member of the steering committee of the Pennsylvania Translational Research Partnership Institute and the Coulter advisory council, and he is an editor of the Journal of Prosthodontics. Dr. Loewy has published broadly and holds over 25 patents.

**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.

**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 on Higher Education (MSCHE), and in 2012 was instrumental in securing MSCHE 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.

**Eva Spinelli-Sexter Vice President of Community Education, and Executive Administrative Dean, New York School of Career and Applied Studies (NYSCAS).** Dean Spinelli-Sexter joined Touro in 2000. Prior to joining Touro, she served as dean at Mercy College in New York, where she opened numerous extension centers in Brooklyn and Queens to help traditional and non-traditional students, including immigrants, complete their education. Dean Spinelli has also served on the advisory boards of several organizations that support new immigrants. She obtained her M.S. in sociology with a specialty in United Nations Studies from Long Island University.

**Eric Levine, DSW, Vice President for Institutional Advancement.** 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.

**Stephen Piccolo, Jr., Senior Vice President and Chief Financial Officer, New York Medical College.** Mr. Piccolo joined New York Medical College in 1990. Prior to joining NYMC, Mr. Piccolo was vice chancellor for administration and finance at the Medical Sciences Center of the University of Arkansas. Before his move to Arkansas, he served as vice president for financial affairs at the University of Medicine and Dentistry of New Jersey. Mr. Piccolo is a member of the board of advisors of Immaculate High School in Danbury, Connecticut and served as the chairman of the board's finance committee for over 15 years. He holds a Master of Public Administration from Fairleigh Dickinson University and a B.S. from the College of Business Administration of the University of Bridgeport.

### **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).

In addition, most central administrative expenses for the System (other than NYMC) have been incurred by Touro College and have not been allocated to or reimbursed by other members of the System, except for an overhead charge to TU pursuant to an agreement with TU's current primary lender. Management of Touro is in the process of developing a new method of allocating central administrative expenses among its subsidiaries and affiliates (including among Obligated Group Members and Health Care and Other Designated Enterprises). Such new allocation methodology is expected to be implemented upon the Master Trust Indenture becoming effective. It is expected that, pursuant to such new allocation method, the central administrative expenses will be allocated among Obligated Group Members, Health Care and Other Designated Enterprises and other affiliates which will be 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 is not expected to be allocated additional central administrative expenses until such time as NYMC's administrative functions are more integrated with those of the System. 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 Touro College (excluding New York Medical College) is controlled by an 11-member Budget Committee which includes the Chancellor, the President, Senior Vice-Presidents, program deans, faculty representatives and Western Campus 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 expenses and by the Budget Department to control all hiring. 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 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 Senior Vice President/Chief Financial Officer, 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/Executive 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 Facilities Director 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/CEO 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. Each department receives a monthly budget statement of expenses and remaining balances in each departmental account. 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, 2013 and 2012, 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. Information regarding NYMC for the interim period from May 13, 2011, the date of its acquisition by Touro College, through June 30, 2011 was audited by PricewaterhouseCoopers LLP, independent auditors. The consolidated financial statements as of and for the years ended June 30, 2009, 2010 and 2011 were audited by Perelson Weiner LLP, independent auditors.

### *Acquisition of New York Medical College*

Touro acquired NYMC in May 2011 from the Archdiocese of New York for a cash purchase price of \$60 million. As part of the acquisition the seller contributed \$29 million of the proceeds to NYMC (for deposit in the NYMC Fund) (the “NYMC Fund”). The NYMC Fund may be utilized for substantially any and all needs of NYMC at or associated with its Valhalla campus and through May 2014 all expenditures from the NYMC Fund were required to be approved by a special committee. As of the date hereof, approximately \$23 million of the NYMC Fund has been expended for the purchase and initial renovation of the Skyline Building and renovations to the Dana Road facility with the remainder retained as part of NYMC’s cash and investments. Approximately \$20 million is expected to be reimbursed to NYMC from the proceeds of the Dormitory Authority of the State of New York Touro College and University System Obligated Group Revenue Bonds, Series 2014A.

In accordance with acquisition accounting guidance, the NYMC net assets acquired, including the NYMC Fund and specifically recognized intangible assets, were recorded at their then fair value of approximately \$185 million and the excess of the fair value over the \$60 million purchase price was recognized as an inherent contribution of approximately \$119 million in fiscal year 2011 and \$6 million in fiscal year 2012. The acquisition dramatically reshaped Touro’s consolidated balance sheet with total assets increasing to \$732 million in fiscal year 2011 compared to \$462 million in fiscal year 2010 and cash and investments increasing to \$155 million compared to \$83 million in fiscal year 2010.

Negotiations for the acquisition started in the Fall of 2008 and as the transaction progressed and the College envisioned the incorporation of the NYMC research activities into its organization, efforts to develop a medical research campus adjacent to the Vallejo, California College of Osteopathic Medicine were discontinued. When the acquisition agreement was signed in December of 2009, the College terminated its efforts to independently create an allopathic medical school in New Jersey. The California and New Jersey projects had contributed significant operating losses in fiscal year 2009 and the start-up medical school in New Jersey would have continued to operate at a deficit for many years. Those deficits would

have been in addition to the expected start-up costs for TouroCOM and TouroRx, which have since become profitable members of the System.

*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, 2009 through 2013 which was derived from the audited consolidated financial statements of Touro College and its related entities, and the unaudited statements of activities for the six-month periods ended December 31, 2012 and 2013 which was derived from the unaudited consolidated financial statements of Touro College and its related entities. Financial information related to NYMC during the period prior to its acquisition by Touro in May 2011 is not reflected in the summary below. Neither KPMG LLP, PricewaterhouseCoopers LLP nor Perelson Weiner LLP has reviewed, commented on or approved, or is associated with, this Official Statement. None of them has 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 their respective audit reports.

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

	Fiscal Year Ended June 30,					Six Months Ended December 31, (unaudited)	
	2009	2010	2011	2012	2013	2012	2013
Operating revenue:							
Tuition and fees, net of allowance	\$228,977	\$260,394	\$294,919	\$352,791	\$358,695	\$177,501	\$186,858
Less scholarships and grants	(33,885)	(30,197)	(30,966)	(32,164)	(32,340)	(14,348)	(14,848)
Net tuition and fees	195,092	230,196	263,953	320,627	326,355	163,153	172,010
Affiliation contracts and faculty practice	—	—	16,413	54,727	53,914	26,515	26,147
Government grants for research and sponsored projects	5,155	5,637	10,863	38,337	33,249	14,385	11,790
Contributions and private grants	6,636	3,349	14,951	5,446	8,910	3,794	3,726
Investment return	(5,991)	2,376	2,972	2,764	5,388	2,075	1,392
Auxiliary enterprises	4,370	4,934	6,111	10,148	11,529	5,452	5,527
Gain on sale of auction rate securities	—	18,000	—	—	—	—	—
Other	14,060	12,940	5,576	9,051	6,192	2,721	6,316
Total operating revenue	219,322	277,432	320,839	441,100	445,537	218,095	226,908
Operating expenses:							
Instruction and research	113,465	118,574	134,508	194,391	197,381	95,520	97,263
Academic support	54,392	50,726	52,004	60,229	59,986	30,189	30,921
Affiliation contracts and faculty practice	—	—	15,064	52,749	52,029	25,753	25,148
Student services	28,387	27,984	32,851	41,589	42,637	21,604	22,325
Institutional support	57,299	58,619	62,295	82,347	80,742	39,564	42,717
Auxiliary enterprises	5,516	5,684	6,941	8,872	8,914	3,354	4,236
Total operating expenses	259,059	261,587	303,663	440,177	441,689	215,984	222,610
Change in net assets from operating activities	(39,737)	15,845	17,176	923	3,848	2,111	4,298
Nonoperating activities:							
Loss on defeasance of bonds	—	—	(4,939)	(2,085)	—		
Loss on disposal of assets	—	—	(8,025)	—	—		
Pension-related changes other than net periodic benefit cost	—	—	—	2,663	(602)		
Investment return greater (less) than amount appropriated for operations	—	—	(22)	(2,063)	2,355	3,859	10,112
Change in fair value of interest rate swaps	(2,632)	(4,332)	4,842	(3,013)	—	—	(98)
Contribution of excess of fair value of net assets acquired over purchase price	—	—	119,040	5,586	—		
Appreciation (depreciation) in fair value of beneficial interest in perpetual trusts	—	—	(49)	(954)	1,338		
Impairment and other losses	(532)	(10,966)	—	—	—		
Other	—	—	(6,750)	(314)	—		
Change in net assets	(42,901)	547	121,273	743	6,939	5,970	14,312
Net assets, beginning of period	280,783	237,882	238,429	359,702	360,445	360,445	367,384
Net assets, end of period	\$237,882	\$238,429	\$359,702	\$360,445	\$367,384	\$366,415	\$381,696

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

	<b>As of June 30,</b>				
<b>Assets</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Cash and cash equivalents	\$10,167	\$12,949	\$49,228	\$48,055	\$41,552
Receivables :					
Student tuition and fees, net	1,130	5,789	5,044	3,440	2,869
Student loans, net	1,759	1,752	15,835	14,550	15,040
Other	5,193	10,322	35,304	34,333	21,981
Investments	129,435	70,041	94,396	97,695	108,471
Beneficial interest in perpetual trusts	—	—	10,970	10,016	11,354
Property and equipment, net	360,249	341,169	481,082	480,191	493,893
Other assets	22,770	20,275	39,674	38,712	34,511
Total assets	<u>\$530,703</u>	<u>\$462,297</u>	<u>\$731,533</u>	<u>\$726,992</u>	<u>\$729,671</u>
<b>Liabilities and Net Assets</b>					
Accounts and accrued expenses payable	18,726	20,854	33,752	31,715	30,977
Accrued payroll and related benefits payable	22,643	20,128	32,182	28,816	31,343
Deferred tuition revenue	24,208	27,218	28,364	30,777	34,624
Lines of credit and short-term debt	8,400	6,000	22,388	20,000	20,500
Long-term debt	207,488	143,050	213,923	219,719	213,520
Refundable federal student loans	—	—	10,238	10,379	10,525
Other liabilities	11,356	6,618	30,984	25,141	20,798
Total liabilities	<u>292,821</u>	<u>223,868</u>	<u>371,831</u>	<u>366,547</u>	<u>362,287</u>
Commitments and contingencies					
Net assets					
Unrestricted	\$230,401	230,162	309,999	308,375	308,109
Temporarily restricted	5,580	6,366	21,797	19,729	23,816
Permanently restricted	1,901	1,901	27,906	32,341	35,459
Total net assets	<u>237,882</u>	<u>238,429</u>	<u>359,702</u>	<u>360,445</u>	<u>367,384</u>
Total liabilities and net assets	<u>\$530,703</u>	<u>\$462,297</u>	<u>\$731,533</u>	<u>\$726,992</u>	<u>\$729,671</u>

## Obligated Group

The following is a summary of the unaudited income statement and the unaudited 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, 2011 through 2013 which was derived from the audited consolidated financial statements of Touro and the internal financial records of the College.

### Obligated Group Historical Financials Income Statement - Unaudited (Dollars in Thousands)

	Fiscal Year Ended June 30,		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating Revenues:			
Tuition and fees, net of allowance	\$137,164	\$195,734	\$208,310
Less scholarships and grants	(1,885)	(4,762)	(6,334)
<b>Net tuition and fees</b>	<u>135,279</u>	<u>190,972</u>	<u>201,976</u>
Affiliation contracts and faculty practice	16,413	54,727	53,914
Grants for research and sponsored projects	6,759	28,539	29,565
Contributions and private grants	3,789	3,523	4,350
Investment return	1,466	2,629	4,058
Auxiliary enterprises	3,120	7,496	8,508
Other	3,020	4,874	3,670
<b>Total operating revenue</b>	<u>169,846</u>	<u>292,760</u>	<u>306,041</u>
Operating expenses:			
Instruction and research	61,277	116,631	117,396
Academic support	22,363	27,618	28,578
Affiliation contracts and faculty practice	15,064	52,749	52,029
Student services	10,875	17,851	19,308
Institutional support	19,830	42,411	39,426
Institutional support – New York	5,183	6,063	6,300
Auxiliary enterprises	4,066	4,138	4,319
<b>Total operating expenses</b>	<u>138,658</u>	<u>267,461</u>	<u>267,356</u>
<b>Change in net assets from operating activities</b>	<u>31,188</u>	<u>25,299</u>	<u>38,685</u>
Non-operating activities:			
Loss on defeasance of bonds	(1,598)	0	0
Student financial aid settlement	(2,000)	0	0
Pension-related changes other than net periodic benefit cost		2,663	(602)
Investment return less than amounts appropriated for operations	(22)	(2,063)	2,355
Change in fair value of interest rate swaps	1,334	0	0
Contribution of excess of fair value of net assets acquired over purchase price	0	5,586	0
(Depreciation) appreciation in fair value of beneficial interest in perpetual trusts	(49)	(954)	1,338
Increase in net assets	<u>\$28,853</u>	<u>\$30,531</u>	<u>\$41,776</u>

Note: Fiscal Year Ending June 30, 2013 is exclusive of 2013 intercompany write-offs as presented in the supplementary information to the consolidated audit.



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

	Fiscal Year Ended June 30,		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Assets:			
Cash and cash equivalents	\$37,678	\$37,085	\$32,344
Receivables:			
Student tuition and fees, net	2,063	2,032	2,793
Student loans, net	14,093	12,688	12,720
Other	26,167	17,439	11,001
Due from subsidiaries, net	3,398	3,841	16,023
Investments	78,374	82,249	91,108
Beneficial interest in perpetual trusts	10,970	10,016	11,354
Property and equipment, net	243,757	248,169	265,054
Other assets	29,407	24,038	22,574
<b>Total Assets</b>	<u><u>445,907</u></u>	<u><u>437,557</u></u>	<u><u>464,971</u></u>
Liabilities:			
Accounts and accrued expenses payable	31,967	27,464	21,413
Accrued payroll and related benefits payable	16,885	12,889	15,007
Deferred tuition revenue	13,575	15,853	27,813
Lines of credit and short-term debt	16,388	14,000	15,500
Long-term debt	117,085	116,578	114,494
Refundable federal student loans	9,120	9,261	9,530
Other liabilities	3,916	4,010	2,004
<b>Total liabilities</b>	<u>208,936</u>	<u>200,055</u>	<u>205,761</u>
Net assets:			
Unrestricted	194,344	192,221	209,731
Temporarily restricted	16,622	14,841	17,108
Permanently restricted	26,005	30,440	32,371
<b>Total net assets</b>	<u>236,971</u>	<u>237,502</u>	<u>259,210</u>
<b>Total liabilities and net assets</b>	<u><u>\$445,907</u></u>	<u><u>\$437,557</u></u>	<u><u>\$464,971</u></u>

## **Management Discussion of Financial Results**

### Fiscal Year 2014 (through December 31, 2013):

The consolidated, unaudited statements for the College and its related entities for the first six months of fiscal year 2014 show consolidated net revenue of \$226.9 million versus \$218.1 million in the first six months of the prior year. Total assets increased \$14.3 million on a consolidated basis from June 30, 2013. Earnings before interest, depreciation and amortization (“EBIDA”) in the first six months of fiscal year 2014 was \$30.6 million on a consolidated basis and \$37.0 million for the operations reflected in the Obligated Group Financials. Notably, headcount and enrollment for Obligated Group enterprises and programs have continued to grow and have increased in fiscal year 2014 as a proportion of total headcount and enrollment. The College has also offset the effects of reductions in enrollment in certain areas, for example NYSCAS and the Law School, with expense controls which, combined with favorable investment returns, has resulted in results which are currently running above budget for the year. In December 2013, the College completed a restructuring of a 2011 bank loan for the Law School through the sale of bonds issued by the Dormitory Authority of the State of New York and the execution of the related swaps. Debt service on the Law School bonds (taking into account payments on the related swaps) provides substantially level payments of principal and interest with a fixed interest rate for ten years at a lower cost of funds than the prior debt structure (for additional information see “Outstanding Debt and Other Obligations” below).

### Fiscal Year 2013:

The consolidated financial statements for the College and its related entities for fiscal year 2013 reflect annual revenues of approximately \$446 million compared to \$441 million in 2012 and annual EBIDA in excess of \$37 million compared to \$36 million in the prior year. Fiscal year 2013 total assets ended at approximately \$730 million, including more than \$161 million of investments and unrestricted cash compared to total assets of approximately \$727 million, including approximately \$156 million of cash and investments at June 30, 2012. The fiscal years ending June 30, 2013 and 2012 both included NYMC for the full year.

Consolidated operating results for the year ended June 30, 2013 reflected surpluses generated by NYMC, TU, TUN, TouroCOM, TouroRx, and SHS offset by lower income due to reduced enrollment at the Graduate School of Education attributable to hiring freezes in many area school systems, shrinkage in New York State Tuition Assistance Programs and new limitations on federal financial aid support for the admission of non-high school graduates and continued support for the central overhead of the System. Across-the-board cost of living adjustments of 2% for the fiscal year and a 1% bonus were implemented for substantially all employees in August 2012.

The operations of the Health Care and Other Designated Enterprises of Touro College and the other Members of the Obligated Group generated surpluses of approximately \$42 million in fiscal year 2013 compared to \$31 million in fiscal year 2012 and EBIDA of approximately \$60 million in fiscal year 2013 compared to \$50 million in fiscal year 2012. One-time charges in 2012 for the termination of certain interest rate-swap obligations and the defeasance of certain debt of Touro reflected in the consolidated financial statements of Touro are not applicable to the

change in net assets in the Obligated Group Financials, but the investment gains and losses incurred by NYMC in fiscal year 2013 and fiscal year 2012 and the additional contribution recognized from the final valuation of the NYMC library assets in fiscal year 2012 are included in the Obligated Group Financials. Additionally, supplementary information accompanying the consolidated 2013 audit shows that significant intercompany receivables among and between certain affiliated entities of the College were forgiven in advance of the inclusion of certain of those entities into the Obligated Group. These adjustments had no effect on the consolidated financial statements of the College and its related entities.

#### Fiscal Year 2012:

The consolidated financial statements for the College and its related entities for fiscal year 2012 reflect annual revenues of approximately \$441 million compared to \$321 million in 2011. Fiscal year 2012 total assets ended at approximately \$727 million, including more than \$156 million of investments and unrestricted cash compared to total assets of approximately \$732 million, including approximately \$155 million of cash and investments at June 30, 2011.

For the fiscal year ending June 30, 2012 annual tuition increases were continued, personnel costs were tightly controlled and a cost of living increase was granted to faculty and staff for the first time in three years. In addition, a grant under a New York State Higher Education Capital Assistance Program in the amount of \$6.1 million for the development of TouroRx in Harlem was received. In 2012, the final appraisal of the NYMC library assets was completed resulting in an additional increase of \$5.586 million because the fair market value of the net assets was higher than previously recognized. After this adjustment, the College's realized increase in consolidated net assets related to its acquisition of NYMC was approximately \$125 million (\$119.04 million in fiscal year 2011 and \$5.586 million in fiscal year 2012). Financial transactions included borrowing \$42.6 million secured by mortgages on certain property operated by the Lander Colleges in New York City and using the proceeds to repay other indebtedness and pay a swap termination fee of approximately \$7.025 million.

#### Fiscal Year 2011:

The consolidated financial statements for the College and its related entities for fiscal year 2011 reflect annual revenues of approximately \$321 million compared to \$277 million in 2010. Fiscal year 2011 total assets ended at approximately \$732 million, including more than \$155 million of investments and unrestricted cash compared to total assets of approximately \$462 million, including approximately \$83 million of cash and investments at June 30, 2010. The June 30, 2011 consolidated financial statements include NYMC from the acquisition date of May 13, 2011 through the end of the fiscal year which resulted in material changes to the consolidated balance sheet as of June 30, 2011.

In July 2010, under the direction of its new president, the College continued across-the-board tuition increases, restored the temporary salary cuts of the previous fiscal year, began to strengthen its fundraising capabilities and benefited from the continued development of TouroCOM and TouroRx in Harlem as they each grew towards a full complement of four annual cohorts. On May 13, 2011, Touro closed the purchase of the membership interest in NYMC. The NYMC membership interest acquisition resulted in an increase in the consolidated net assets

of \$119.04 million for the year ended June 30, 2011. In order to provide funding for the NYMC acquisition and retain a reasonable amount of liquid investments in addition to NYMC's, two properties in New Jersey that had been acquired for use in developing a new allopathic medical school were sold for a total of \$27 million resulting in an impairment loss of \$11 million during the year ended June 30, 2010 and an additional loss of \$8 million when the property sales actually closed in the following year. For a further discussion of the NYMC acquisition please see "- Financial Statements and Accounting Matters – *Acquisition of New York Medical College*" above.

Additional material transactions in 2011 included a sale-leaseback transaction the College entered into for its original women's dormitory in Manhattan raising \$13 million and a \$25 million loan secured by a mortgage on a Manhattan apartment building that the College had acquired in 2008 for student housing.

## INVESTMENTS/ENDOWMENT

### Investments

Investments, which include the endowment investments (but exclude beneficial interests in perpetual trusts and donor-restricted revolving loan funds), at fair value consist of the following as of June 30:

	(Dollars in Thousands)	
	2013	2012
Cash and cash equivalents	\$ 23,643	\$16,740
Fixed income securities	4,264	25,278
Equity securities	8,517	34,806
Mutual funds	1,139	10,490
Alternative investments	70,728*	10,381
Total investments	\$108,471	\$97,695

\*Includes approximately \$67 million invested in various funds of the Commonfund, of which approximately \$55 million may be liquidated upon 1-35 days' notice and a portion of which is pledged to secure certain outstanding debt. See "OUTSTANDING DEBT AND OTHER OBLIGATIONS" herein.

As of December 1, 2013, such investments (excluding beneficial interests in perpetual trusts and donor-restricted revolving loan funds) totaled \$117,775,000.

## 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:

2013 (in 000s)				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ ---	\$16,939	\$18,473	\$35,412
Board-designated endowment funds	34,094	--	---	34,094
Total Funds	\$34,094	\$16,939	\$18,473	\$69,056

  

2012 (in 000s)				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ ---	\$15,397	\$16,971	\$32,368
Board-designated endowment funds	30,893	---	---	30,893
Total Funds	\$30,893	\$15,397	\$16,971	\$63,261

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 financial 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 5% of the moving average of the fair value of endowment investments for the previous 20 quarters. Touro recently adopted a spending policy which 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

### Debt

The System has long-term debt of approximately \$214 million (as of June 30, 2013). While most of its long-term debt obligations have final maturities of ten years or more, most are subject to interest rate adjustment within the next five years. A portion of this indebtedness is being refunded by the Series 2014 Bonds.

	<u>Maturity Date</u>	<u>Int. Rate</u>	<u>As of 06/30/13</u>	<u>Property Collateral</u>
<b><u>Touro College</u></b>				
Town of Islip <sup>4</sup>	06/2018	1.98%	\$ 800,000	Mortgage on Bay Shore Property
People's United Bank <sup>1</sup>	04/01/21	4.92%	21,006,667	Mortgage on Law Center in Central Islip, NY
First Republic Bank I <sup>6</sup>	06/01/31	4.75%	24,247,375	Mortgage on 10 West 65 <sup>th</sup> Street (Dorms and apartments)
First Republic Bank II <sup>6</sup>	12/01/31	4.43%	41,531,677	Mortgage on Kew Garden Hills (Men's College campus and housing), West 60 <sup>th</sup> Street (Women's College campus), 1602 Ave J (Lander College of Arts and Sciences)
Gold Coast Bank	05/24/17	4.90%	1,996,470	First Mortgage on 2002 Ave J
Sterling National Bank <sup>7</sup>	05/2018	4.00%	3,360,387	Pledge of revenue <sup>8</sup> ; investments
Total			<u>92,942,576</u>	
<b><u>Touro University (California)</u></b>				
Tax-Exempt Bonds (backed by letters of credit from California Bank & Trust and Federal Home Loan Bank) <sup>3</sup>	10/01/40	Floating Weekly	19,955,000	Deed of trust on TU Vallejo campus, pledge of gross revenues, pledge of investment account and guarantee from TUN
<b><u>Ohr Hachaim<sup>2</sup></u></b>				
Bank of America <sup>4</sup>	10/2015	8.75%	31,402	Mortgage on Ohr Hachaim Property
Bank of America <sup>4</sup>	12/2016	8.00%	39,170	Mortgage on Ohr Hachaim Property
New Millennium	08/2024	4.25%	284,391	Mortgage on Queens House Across from HS Building
Provident Bank	04/2018	5.06%	797,374	Mortgage on Monsey HS Property
Provident Bank	04/2018	Prime + 1.5%	700,000	Mortgage Loan on Monsey HS Property
BP3 Capital LLC <sup>4</sup>	05/2014	12.00%	750,000	Mortgage on Birchwood Estates
Mark Hasten	09/01/14	LIBOR + 2.00%	5,000,000	Negative pledge on Ohr Hachaim Yeshiva Building
Total			<u>7,602,337</u>	
<b><u>Touro University Nevada</u></b>				
Tax-exempt Bonds – held by GE Government Finance <sup>3</sup>	01/01/24	5.14%	21,894,968	Deed of trust on TUN campus, pledge of rents and profits and guarantees from Touro and TU
Taxable Loan held by GE Government Finance <sup>3</sup>	01/01/24	4.27%	10,885,575	Deed of trust on TUN campus, pledge of rents and profits and guarantees from Touro and TU
<b><u>New York Medical College</u></b>				
Bank of America	12/30/13	LIBOR + .70%	3,600,000	Pledge of a portion of the NYMC investment portfolio
Empire State Funding Seller Note <sup>5</sup>	4/1/2023	5.00% (imputed)	3,836,021	As of July 2013, it is secured by a letter of credit secured by part of the NYMC investment portfolio. It is also secured by a Touro College guarantee
DASNY Tax-exempt Bonds <sup>3</sup>	07/01/27	5.00%	46,230,409	Mortgage on the Basic Sciences Building and Medical Education Center and pledge of revenues equal to annual debt service

	<u>Maturity Date</u>	<u>Int. Rate</u>	<u>As of 06/30/13</u>	<u>Property Collateral</u>
DASNY TELP Loan <sup>4</sup>	01/01/15	5.32%	1,269,357	Lien on financed equipment
Total			<u>\$54,935,787</u>	
<b>SUMMARY</b>				
Bond Debt			89,349,734	
Other Long Term Debt			118,866,509	
Capital Leases (not listed above)			5,304,165	
Total Debt			<u>\$208,216,243</u>	

<sup>1</sup> Refinanced in December 2013 with \$19,520,000 of tax exempt bonds and \$1,895,000 of taxable bonds issued by the Dormitory Authority of the State of New York and purchased by People's United Bank, which bear interest at a rate calculated based on LIBOR; Touro entered a swap agreement with People's United Bank at the time of issuance (see "Swap Agreement" below).

<sup>2</sup> Touro guarantees or is a co-borrower on all long-term debt of Yeshivas Ohr Hachaim.

<sup>3</sup> To be refunded with proceeds of the Series 2014 Bonds or other bonds issued simultaneously with the Series 2014 Bonds and also secured by Obligations issued under the Master Trust Indenture.

<sup>4</sup> Repaid in full after June 30, 2013

<sup>5</sup> Secured by a letter of credit issued by Bank of America; Touro College guarantees payment if draw on letter of credit is not honored. Note was issued in the principal amount of \$5,000,000, repayable without interest. For accounting purposes, the Note is treated as though it was issued in a principal amount of \$4,000,000 bearing interest at 5% per annum.

<sup>6</sup> Expected to be refinanced subsequent to June 30, 2014 with the proceeds of bonds issued by the Dormitory Authority and purchased by First Republic Bank. Such bonds will not be secured with Obligations issued under the Master Trust Indenture.

<sup>7</sup> Sterling National Bank has agreed to release its lien on those revenues that consist of Gross Revenues on or prior to the issuance of the Series 2014 Bonds.

After June 30, 2013, Touro assumed a mortgage of approximately \$2.8 million in connection with the purchase of four townhouses to be used by the Lander College for Men for student housing. Such mortgage loan is from Investor's Bank and matures in 2022 and bears interest at 3% per annum for three years, 4% per annum for the next three years and 5% per annum for the last three years.

## Lines of Credit

Touro has a line of credit with Sterling National Bank for up to \$6 million, of which \$5 million was outstanding on June 30, 2013. Touro College recently established a second line of credit with Sterling National Bank pursuant to which Touro borrowed \$8 million, which is due on February 27, 2015. These lines, together with a term loan of \$3.3 million and up to \$1 million of letters of credit, used to secure obligations under operating leases and construction obligations, are secured by investments with a value of approximately \$9.6 million and all revenues of Touro College, excluding affiliates (subordinate to other liens securing outstanding debt). Sterling National Bank has agreed to release its lien on those securities that consist of Gross Revenues on or prior to the issuance of the Series 2014 Bonds. NYMC has a line of credit with Bank of America for up to \$18.5 million, of which \$18.5 million is currently outstanding. The line, together with a \$3.6 million term loan and the letter of credit relating to the Empire State Funding Seller Note, is secured by investments with a value of approximately \$34.2 million at June 30, 2013 (and a value of approximately \$38.2 million as of May 31, 2014).

## Swap Agreement

Touro has entered into an interest rate swap agreement with Peoples United Bank to manage the interest rate risk with certain of its outstanding debt with Peoples United Bank.

Under the terms of this agreement, Touro pays a fixed rate for ten years (the mandatory tender date of the related bonds) of 3.6824% on a notional amount of \$19.520 million and for eight years (the maturity date of the related 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 amount on the swap reduces 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) will be shown in the consolidated financial statements.

### **Other Obligations**

As part of the tax due diligence procedures undertaken in connection with refunding the Series 1998 Bonds, NYMC examined the ownership and use of the facilities financed or refinanced with the proceeds of the Series 1998 Bonds. NYMC determined that in 2005 it had sold two properties which had been refinanced with proceeds of the Series 1998 Bonds. Pursuant to the Internal Revenue Code of 1986 (the “Code”), the portion of the Series 1998 Bonds allocable to the disposed properties should have been defeased to the first optional call date of the Series 1998 Bonds at the time of such sales. In addition to the disposed properties, NYMC determined that a portion of the facilities financed or refinanced with the Series 1998 Bonds have been used for private business purposes in excess of the limitations permitted under the Code. As a result, a portion of the Series 1998 Bonds in the amount of approximately \$7,900,000 will be redeemed with funds provided by NYMC, and the remaining Series 1998 Bonds will be redeemed with a portion of the proceeds of the Series 2014B Bonds within forty-five (45) days of the issuance of the Series 2014B Bonds. On May 14, 2014, the Dormitory Authority of the State of New York filed an application with the Internal Revenue Service (the “Service”) seeking relief under the Service’s Voluntary Closing Agreement Program (“VCAP”). The Authority, Touro and NYMC expect that the application will be favorably resolved, with a penalty required to be paid to the Service to address the above-described non-compliance with the requirements of the Code. Funds to pay such penalty will be provided by NYMC. Touro and NYMC expect that the amount of such penalty will be between \$400,000 and \$700,000.



## DEBT SERVICE COVERAGE RATIO

### Pro Forma Consolidated Long-Term Debt Service Coverage Ratio

(Dollars in Thousands)

Years Ended June 30<sup>(1)</sup>

	2011	2012	2013
Change in unrestricted net assets	\$80,887	(\$1,624)	(\$266)
Depreciation, amortization and interest expense	\$28,107	\$34,705	\$33,197
Unrealized (gains) / losses	\$85	\$1,756	(\$893)
Other exclusions adjusting net assets	(\$62,003)	\$5,180	0
Income Available for Debt Service	<u>\$47,076</u>	<u>\$40,017</u>	<u>\$32,038</u>
Pro Forma Maximum Annual Debt Service <sup>(2)</sup>	<u>\$22,485</u>	<u>\$22,485</u>	<u>\$22,485</u>
Pro Forma Long-Term Debt Service Coverage Ratio	<u>2.094x</u>	<u>1.780x</u>	<u>1.425x</u>

<sup>(1)</sup> Calculated in accordance with the Master Indenture from the Audited Consolidated Financial Statements of Touro College.

<sup>(2)</sup> Calculations include the Obligations (net of capitalized interest) and the System's Long-Term Indebtedness not categorized as Obligations under the Master Indenture which will remain outstanding upon the closing of the Series 2014 Bonds including the debt held by: People's United Bank, First Republic Bank, Gold Coast Bank, Sterling National Bank, New Millenium, Investor's Bank, Mark Hasten, the prior owners of the Skyline Building and holders of all Capital Leases. All debt is scheduled to be repaid at its current terms, except with respect to the First Republic Bank (FRB) loans; assumes the FRB I loan is restructured with a 15 year amortization and the FRB II loan with a 30 year amortization based on restructuring terms preliminarily indicated by First Republic Bank.

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

(Dollars in Thousands)

Years Ended June 30<sup>(1)</sup>

	2011	2012	2013
Change in unrestricted net assets	\$28,957	\$27,994	\$37,674
Unrealized (gains) / losses	\$85	\$1,756	(\$893)
Other exclusions adjusting net assets	\$2,264	(\$5,586)	0
Depreciation, amortization and interest expense	\$10,443	\$19,121	\$18,738
Master Obligations' Income Available for Debt Service	<u>\$41,749</u>	<u>\$43,285</u>	<u>\$55,519</u>
Pro Forma Master Obligations' Maximum Annual Debt Service <sup>(2)</sup>	<u>\$10,774</u>	<u>\$10,774</u>	<u>\$10,774</u>
Pro Forma Master Obligations' Long-Term Debt Service Coverage Ratio	<u>3.875x</u>	<u>4.017x</u>	<u>5.153x</u>

<sup>(1)</sup> Calculated in accordance with the Master Indenture from the Audited Consolidated Financial Statements of Touro College and other supporting documentation.

<sup>(2)</sup> Calculations based on all of the Obligated Group's Series 2014 Bonds (net of capitalized interest).

## FINANCIAL AID

Students attending each Member of the Obligated Group are eligible to participate in programs under Title IV of the Higher Education Act of 1965 (as amended), including the Perkins Loan Program and the Direct Loan Program (guaranteed student loans). Students are also eligible for assistance through certain programs offered by the State 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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Federal Loan Programs	\$201,873,978	\$236,558,532	\$268,504,579	\$283,059,808	\$289,990,679
Federal Perkins Loans	706,060	566,499	671,120	731,100	1,780,414
Private Bank Loans	8,871,534	7,464,202	6,468,971	3,444,364	9,537,157
Pell Grants	14,360,606	19,000,431	20,402,753	18,854,342	17,303,381
SEOG*	957,300	792,583	792,833	763,913	581,086
NYS TAP**	12,359,678	12,825,658	12,086,643	12,136,748	11,175,875
Institutional Financial Aid***	<u>37,196,154</u>	<u>33,706,167</u>	<u>34,911,447</u>	<u>32,164,000</u>	<u>32,340,000</u>
Total	\$276,325,310	\$310,914,072	\$343,838,346	\$351,154,275	\$351,532,717

\* 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 year 2013, the scholarships granted to students attending programs offered by the Members of the Obligated Group comprised approximately 19.4% of the total scholarships for Touro on a consolidated basis and 14.8% in fiscal year 2012.

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. See Note 12(b) to the Touro College and related entities consolidated financial statements for a discussion of a settlement between the United States Department of Education and Touro College relating to a determination that Touro College had improperly awarded student financial aid by virtue of its not having waited for the Department's affirmative approval of nine new locations that had been applied for and Note 17(e) to the Touro College and related entities consolidated financial statements regarding certain governmental audits relating to student loan and grant programs.

## **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)**

<b><u>Fiscal Year</u></b>	<b><u>Federal</u></b>	<b><u>State</u></b>	<b><u>Total</u></b>
2009	\$22,253	\$802	\$23,055
2010	21,095	749	21,844
2011	21,013	80	21,093
2012	16,471	38	16,509
2013	13,854	5	13,859

## **FUNDRAISING**

Touro has recently reinvigorated its development office 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 and the Development Office of the College has been enlarged to include a major gifts position and is investigating planned giving. The NYMC Development team has created a plan to solicit named gifts for rooms, floors and other typical naming opportunities that would be used for unrestricted and general fund purposes in the Skyline Building. NYMC has as of May 1, 2014 raised \$319,665 of which \$302,985 is for Skyline and \$16,679 is for the Clinical Skills Laboratory in Dana Road Building.

The following table shows the amounts recorded by the System in accordance with generally accepted accounting principles as contributions, gifts, grants (including government grants) and bequests over the past five fiscal years ended on June 30, 2013 (NYMC is included from May 13, 2011):

<b>Donations and Pledges (in thousands)</b>				
<u>Year</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2008-09	\$8,123	\$3,668	\$ -	\$11,791
2009-10	4,200	4,785	-	8,985
2010-11	21,112	4,136	6	25,254
2011-12	4,640	794	12	5,446
2012-13	4,918	2,268	1,724	8,910

### **PENSION PLANS AND OTHER POST RETIREMENT BENEFITS**

The Obligated Group has defined contribution retirement plans that cover substantially all of its nonunion employees and which are funded through direct payments to qualified carriers. Employer contributions consist of both discretionary and matching amounts. For the years ended June 30, 2013 and 2012, respectively, the System, except for NYMC, contributed \$3.180 million and \$3.417 million to its defined contribution retirement plan. During the years ended June 30, 2013 and 2012, NYMC contributed \$5.980 million and \$5.824 million to tax deferred annuity plans for faculty and administrative employees, respectively.

In addition, \$427,000 and \$363,000 was contributed during the years ended June 30, 2013 and 2012, 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 has a defined benefit plan that currently covers 89 employees. NYMC's participation in the union administered plan is outlined below. Unless otherwise noted, the Pension Protection Act zone status below is for the plan year beginning January 1, 2013, 2012, and 2011, respectively. The zone status is certified by the plan's 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:

Pension fund	EIN/pension plan number	PPA zone status			FIP/RP status pending/implemented	Surcharge imposed	Expiration date of collective-bargaining agreement
		2013	2012	2011			
1199 SEIU Health Care Employee Fund	13-3604862/001	Green	Green	Green	*RP Implemented	No	April 30, 2015

\* The 1199 Health Care Employee pension fund has implemented a RP for the period January 1, 2012 through December 31, 2024. In addition, in July 2009, wage concessions were agreed to as well as an increase in annual contribution from contributing members.

NYMC provides medical and life insurance benefits under its Postretirement Life and Health Insurance Plan for Eligible Employees (Plan) at NYMC. 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 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 2014.

## INSURANCE

NYMC’s main employee medical plan is self-insured. NYMC has retained Empire Blue Cross/Blue Shield (“Empire”) as its third party administrator for the plan. 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. NYMC purchases individual and aggregate stop-loss insurance to limit exposure to large claims.

Touro College also has a self-insured employee medical plan. Touro has also retained Empire as its third party administrator for the plan. Touro College purchases individual and aggregate stop-loss insurance to limit exposure to large claims. 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; and (e) medical malpractice insurance. Members of the Obligated Group will

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. Certain coverages are purchased or bid for the entire System while other coverages are purchased separately by NYMC or by other affiliates to satisfy local or state requirements.

### **NO 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.

Amounts received and expended under various federal and state programs are subject to audit by governmental agencies. See Notes 12(b) and 17(e) of the audited consolidated financial statements of Touro College and its related entities for the year ended June 30, 2013 for a discussion of settlements of certain of such audits. Management of the Obligated Group believes there are no unresolved audits that will result in adjustments that will have a material adverse effect on the financial position of the System.

**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, 2013 and 2012

(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, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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, 2013 and 2012, 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 consolidating information included in the accompanying supplementary schedules 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 28, 2013

**TOURO COLLEGE AND RELATED ENTITIES**

Consolidated Statements of Financial Position

June 30, 2013 and 2012

(Dollars in thousands)

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents (note 1)	\$ 41,552	48,055
Receivables (notes 1 and 3):		
Student tuition and fees, net	2,869	3,440
Student loans, net	15,040	14,550
Other	21,981	34,333
Investments (notes 1, 4, and 5)	108,471	97,695
Beneficial interest in perpetual trusts (note 5)	11,354	10,016
Property and equipment, net (note 8)	493,893	480,191
Other assets (notes 5 and 9)	34,511	38,712
Total assets	\$ 729,671	726,992
<b>Liabilities and Net Assets</b>		
Accounts and accrued expenses payable	\$ 30,977	31,715
Accrued payroll and related benefits payable (note 14)	31,343	28,816
Deferred tuition revenue	34,624	30,777
Lines of credit and short-term debt (note 10)	20,500	20,000
Long-term debt (notes 11 and 16)	213,520	219,719
Refundable federal student loans	10,525	10,379
Other liabilities (note 12)	20,798	25,141
Total liabilities	362,287	366,547
Commitments and contingencies (notes 11, 13, 14, and 17)		
Net assets (notes 6 and 7):		
Unrestricted	308,109	308,375
Temporarily restricted	23,816	19,729
Permanently restricted	35,459	32,341
Total net assets	367,384	360,445
Total liabilities and net assets	\$ 729,671	726,992

See accompanying notes to consolidated financial statements.

**TOURO COLLEGE AND RELATED ENTITIES**

Consolidated Statements of Activities

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	2013				2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue:								
Tuition and fees, net of allowance	\$ 358,695	—	—	358,695	352,791	—	—	352,791
Less scholarships and grants	(32,340)	—	—	(32,340)	(32,164)	—	—	(32,164)
Net tuition and fees	326,355	—	—	326,355	320,627	—	—	320,627
Affiliation contracts and faculty practice	53,914	—	—	53,914	54,727	—	—	54,727
Government grants for research and sponsored projects	33,249	—	—	33,249	38,337	—	—	38,337
Contributions and private grants	4,918	2,268	1,724	8,910	4,640	794	12	5,446
Investment return (note 4)	4,969	419	—	5,388	2,541	223	—	2,764
Auxiliary enterprises	11,529	—	—	11,529	10,148	—	—	10,148
Other	6,151	—	41	6,192	9,051	—	—	9,051
Net assets released from restrictions	47	(47)	—	—	2,755	(2,755)	—	—
Total operating revenue	441,132	2,640	1,765	445,537	442,826	(1,738)	12	441,100
Operating expenses:								
Instruction and research	197,381	—	—	197,381	194,391	—	—	194,391
Academic support	59,986	—	—	59,986	60,229	—	—	60,229
Affiliation contracts and faculty practice	52,029	—	—	52,029	52,749	—	—	52,749
Student services	42,637	—	—	42,637	41,589	—	—	41,589
Institutional support	80,742	—	—	80,742	82,347	—	—	82,347
Auxiliary enterprises	8,914	—	—	8,914	8,872	—	—	8,872
Total operating expenses	441,689	—	—	441,689	440,177	—	—	440,177
Change in net assets from operating activities	(557)	2,640	1,765	3,848	2,649	(1,738)	12	923
Nonoperating activities:								
Loss on defeasance of bonds (note 11)	—	—	—	—	(2,085)	—	—	(2,085)
Pension-related changes other than net periodic benefit cost	(602)	—	—	(602)	2,663	—	—	2,663
Investment return greater (less) than amount appropriated for operations (note 4)	893	1,447	15	2,355	(1,756)	(330)	23	(2,063)
Change in fair value of interest rate swaps (note 11)	—	—	—	—	(3,013)	—	—	(3,013)
Contribution of excess of fair value of net assets acquired over purchase price (note 1)	—	—	—	—	5,586	—	—	5,586
Appreciation (depreciation) in fair value of beneficial interest in perpetual trusts (note 5)	—	—	1,338	1,338	—	—	(954)	(954)
Reclassification of revolving loan funds (note 6)	—	—	—	—	(5,354)	—	5,354	—
Other	—	—	—	—	(314)	—	—	(314)
Change in net assets	(266)	4,087	3,118	6,939	(1,624)	(2,068)	4,435	743
Net assets, beginning of year	308,375	19,729	32,341	360,445	309,999	21,797	27,906	359,702
Net assets, end of year	\$ 308,109	23,816	35,459	367,384	308,375	19,729	32,341	360,445

See accompanying notes to consolidated financial statements.

**TOURO COLLEGE AND RELATED ENTITIES**

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	<b>2013</b>	<b>2012</b>
Cash flows from operating activities:		
Change in net assets	\$ 6,939	743
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,609	22,855
Amortization of deferred financing costs	263	505
Loss on defeasance of bonds	—	2,085
Pension-related changes other than net periodic benefit cost	602	(2,663)
Accretion of imputed interest related to long-term debt	33	—
Permanently restricted contributions	(1,724)	—
Grant revenue restricted for capital	(3,419)	(6,127)
Loss on disposal/sale of assets	527	154
(Appreciation) depreciation in fair value of beneficial interest in perpetual trusts	(1,338)	954
Net (appreciation) depreciation in fair value of investments	(6,215)	1,757
Change in fair value of interest rate swaps	—	3,013
Contribution of excess of fair value of net assets acquired over purchase price	—	(5,586)
Changes in operating assets and liabilities:		
Student tuition and fees receivable, net	571	1,604
Other receivables	(272)	5,898
Other assets, net	681	(55)
Accounts and accrued expenses payable	(1,936)	(1,188)
Accrued payroll and related benefits payable	1,925	(703)
Deferred tuition revenue	3,847	2,413
Other liabilities, net	(4,343)	(687)
Net cash provided by operating activities	18,750	24,972
Cash flows from investing activities:		
Purchases of property and equipment	(29,838)	(13,693)
Change in accounts payable for capital	1,198	(849)
Additions to assets held for sale	(1,923)	(3,523)
Proceeds from assets held for sale, net	1,359	552
Deposit with bond trustee	(94)	(130)
Collection of note receivable	7,600	1,200
Disbursement of student loans	(2,889)	(1,258)
Collection of student loans	2,710	2,855
Sales of investments	244,837	54,870
Purchases of investments	(249,398)	(59,926)
Net cash used in investing activities	(26,438)	(19,902)
Cash flows from financing activities:		
Lines of credit and short-term debt, net	500	1,887
Proceeds from other long-term debt	4,872	44,670
Repayment of other long-term debt	(16,986)	(45,994)
Cash payments in connection with defeasance of bonds	—	(7,154)
Advance from the federal government for student loans	128	141
Release of escrow accounts	1,750	467
Change in restricted cash	830	874
Permanently restricted contributions	1,724	—
Grant revenue restricted for capital	8,443	—
Financing costs paid	(76)	(1,134)
Net cash provided by (used in) financing activities	1,185	(6,243)
Net decrease in cash and cash equivalents	(6,503)	(1,173)
Cash and cash equivalents, beginning of year	48,055	49,228
Cash and cash equivalents, end of year	\$ 41,552	48,055
Supplemental disclosures:		
Interest paid	\$ 10,880	11,741
Furniture and equipment acquired under capital lease obligations	1,963	2,782
Noncash assets acquired net of liabilities assumed in the purchase of NYMC	—	5,586
Short-term debt refinanced to long term	—	4,275
Reclassification of intangible assets to property and equipment, net	—	2,864
Note payable related to purchase of property (note 11(m))	3,928	—

See accompanying notes to consolidated financial statements.

## TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(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 masters degrees; and professional schools, including a Law School, a School of Health Sciences, a School of Osteopathic Medicine, and a School of Pharmacy. Touro operates the following entities:

- Touro University, a California corporation (TU), which has two 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 bachelor and masters degrees, and it offers undergraduate programs under the name Touro College Los Angeles (TCLA) that 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 School of Medicine, which confers the MD degree, a Graduate School of Basic Medical Sciences and a School of Health Sciences and Practice, which offer masters and doctoral degrees.
- Other related entities, including various foundations, yeshivas, and special-purpose entities.

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

#### *Acquisition of New York Medical College*

Touro acquired NYMC in May 2011 for a cash purchase price of \$60,000 (the Acquisition). NYMC is a membership, not-for-profit corporation in the State of New York. To effect the Acquisition, the College's wholly owned subsidiary, NYMC LLC, became the sole member of NYMC with 100% of the right to exercise the reserved powers and authority of the membership (the Transaction). Pursuant to the Transaction, the seller contributed \$29,000 of the proceeds to NYMC (the NYMC Fund) consisting of \$26,000 in cash and the assignment of 50% of a \$6,000 promissory note (\$1,000 and \$2,000 outstanding as of June 30, 2013 and 2012, respectively, included in other receivables). The NYMC Fund may be utilized for substantially any and all needs of NYMC at or associated with its campus. The use of the NYMC Fund during the first three years following the closing of the Transaction is to conform with operating guidelines, which require the approval of the Management Board of the NYMC Fund consisting of two College designees, two designees appointed by representatives of the seller, and a fifth independent member as mutually agreed by the other four NYMC Fund designees; however, approval by the Board of Trustees of NYMC is required prior to consideration of disbursement of any funds by the Management Board of the NYMC Fund. The NYMC Fund as of June 30, 2013 and 2012 is reported as cash and cash equivalents (approximately \$10,000 and \$20,000, respectively), investments (\$5,000 and \$7,000, respectively), and other receivables (\$1,000 and \$2,000, respectively).

## TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

### (2) Summary of Significant Accounting Policies

#### (a) *Financial Statement Presentation*

The accompanying 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.

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 are reported as unrestricted revenues. 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, Touro University College of Medicine, Inc., 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.

#### (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 a long-term investment strategy. The carrying amounts of cash and cash equivalents approximate fair value because of the short maturities of those instruments.

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

Student tuition and fees are recognized as earned 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



## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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.

A significant portion of tuition and fee collections is highly reliant on government-sponsored loan and grant 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 loan 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 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.

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

Funds provided by the federal government under the 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. The inputs to the fair value are considered Level 3 in the fair value hierarchy. 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 for NYMC as approved by the Board of Trustees of NYMC to protect the inflation-adjusted value of its endowment and all investment returns for other Touro entities. The operating activities exclude investment return for NYMC in excess of (less than) the spending rate, pension-related

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

changes other than net periodic benefit cost, contribution of excess of fair value of net assets acquired over purchase price, change in fair value of beneficial interest in perpetual trusts, change in fair value of interest rate swaps, and other nonrecurring and unusual items.

#### (i) *Investments*

Investments with readily determinable fair values are reported at fair value based upon quoted market prices. The College uses net asset value (NAV) per share or its equivalent as a practical expedient to determine the fair value of its investments in investment companies (alternative investments) that (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company, which include primarily hedge funds, private equity, and real estate partnerships. The values are reviewed and evaluated by College management for reasonableness. Because these types of investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a market for such investments existed.

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.

#### (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. A fair value hierarchy was established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In measuring the fair value of financial and nonfinancial assets and liabilities, 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 – Quoted prices (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 other than Level 1 that are observable, either directly or indirectly. Included in this tier are also alternative investments measured at NAV that are redeemable on or near the date of the consolidated statements of financial position.
- Level 3 – Unobservable inputs for the asset or liability and investments measured at NAVs that are not redeemable on or near the date of the statements of financial position.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the College's interest therein, its classification in Level 2 or 3 is based on the College's ability to redeem

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its interest at or near June 30. If the interest can be redeemed in the near term (within 90 days), the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The 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.

At June 30, 2013 and 2012, the carrying values of the College's student tuition and fees receivables, student loan receivables, excluding those under government loan programs, other receivables and payables, excluding long-term debt, approximate fair value due to the short-term nature of such instruments. The fair values of such financial instruments involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

A reasonable estimate of the fair value of loans receivable from students under government loan programs (carrying amounts of approximately \$7,189 and \$6,477 at June 30, 2013 and 2012, respectively) could not be made because the notes are not saleable and can only be assigned to the U.S. government or its designees.

**(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 but has no control over investment decisions regarding these assets; therefore, they are recorded as permanently restricted net assets. Although the beneficial interest in perpetual trusts is categorized as Level 3 in the fair value hierarchy due to the lack of control over the trusts, the fair value of the assets of the perpetual trusts is based upon quoted market prices at year-end.

## TOURO COLLEGE AND RELATED ENTITIES

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**(l) Property and Equipment**

Property and equipment are recorded at cost when purchased (or fair market 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. Leasehold improvements are amortized 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 19 years). Repairs and maintenance items are expensed when incurred. For all other depreciable assets placed in service, depreciation is 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	20–50
Interest in leased properties	20–30
Furniture, equipment, and computer software	3–15
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 recorded for the years ended June 30, 2013 and 2012.

**(n) Interest Rate Swap Agreements**

The College utilized 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. The interest rate swaps outstanding at June 30, 2011 were settled in connection with the repayment of the related debt in December 2011. There are no interest rate swap agreements outstanding at June 30, 2013 or 2012.

**(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.

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**(p) *Affiliation Contracts***

Revenues and expenses from affiliation contracts reflect the contractual relationship with various teaching hospitals for the provision of salaries and fringe benefits for physicians providing services under these arrangements. For the years ended June 30, 2013 and 2012, revenues from Westchester Medical Center, the largest of such arrangements, totaled \$26,421 and \$26,500, respectively.

**(q) *Intangible Assets***

Intangible assets consist of enrolled students, research programs, and trade name and accreditation status. The enrolled students and research programs intangible assets are amortized over their estimated useful lives of four years. The trade name and accreditation-related intangible asset 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 government, 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 other liabilities on the consolidated statements of financial position.

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

Fundraising expenses are included in institutional support and were \$2,530 and \$2,097 in 2013 and 2012, respectively. Fundraising activities of the College include salaries and employee benefits of program staff that develop proposals for fund-raising, solicit contributions, and conduct specific fundraising events. Fundraising and advertising costs are expensed as incurred. Advertising costs, primarily for recruitment of students, were \$5,635 and \$5,685 in 2013 and 2012, 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. Each of the College's exempt entities files the Return of Organization Exempt From Income Tax (Form 990), except for YOC and Rabbi Dov Revel Yeshiva of Forest Hills Inc., which are exempt from such filing.

**(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, 2013 and 2012, the College does not have any uncertain tax positions or any unrelated business income tax liability, which would have a material impact upon its financial statements.

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**(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 fair value allocations related to acquisition accounting, the calculation of deferred tuition revenue, the allowance for doubtful accounts, valuation of investments, postretirement benefit obligations, and allocation of expenses to functional categories. Actual results may differ from those estimates.

**(w) Reclassifications**

Certain reclassifications have been made to the 2012 amounts to conform to the current year presentation.

**(3) Receivables**

Receivables at June 30, 2013 and 2012 consist of the following:

<b>2013</b>	<b>Accounts receivable</b>	<b>Allowance for doubtful accounts</b>	<b>Net receivable</b>
Student tuition and fees	\$ 7,718	(4,849)	2,869
Student loans	\$ 16,123	(1,083)	15,040
Other:			
Government and other grants	\$ 9,333	—	9,333
Affiliation contracts	2,836	(1,026)	1,810
Faculty practice plan	1,944	(1,463)	481
Pledges receivable	6,731	(1,243)	5,488
Miscellaneous	5,937	(1,068)	4,869
Total other	\$ 26,781	(4,800)	21,981

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<b>2012</b>	<b>Accounts receivable</b>	<b>Allowance for doubtful accounts</b>	<b>Net receivable</b>
Student tuition and fees	\$ 8,316	(4,876)	3,440
Student loans	\$ 15,563	(1,013)	14,550
Other:			
Government and other grants	\$ 14,181	—	14,181
Affiliation contracts	4,225	(2,422)	1,803
Faculty practice plan	7,013	(6,783)	230
Note receivable	7,600	—	7,600
Pledges receivable	6,278	(2,250)	4,028
Miscellaneous	7,653	(1,162)	6,491
Total other	\$ 46,950	(12,617)	34,333

In the current year, the College wrote off approximately \$7,119 of accounts receivable against the allowance for doubtful accounts, primarily related to affiliation contracts and faculty practice plans.

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The following tables provide an analysis of the aging of certain receivables as of June 30, 2013 and 2012:

<b>2013</b>	<b>1-30 days past due</b>	<b>30-60 days past due</b>	<b>Greater than 60 days past due</b>	<b>Total past due</b>	<b>Current</b>	<b>Total</b>
Student loans	\$ 3,086	99	3,256	6,441	9,682	16,123
Affiliation contracts	111	23	1,318	1,452	1,384	2,836
Faculty practice plan	90	90	1,245	1,425	519	1,944
Pledges receivable	—	—	3,900	3,900	2,831	6,731
Miscellaneous	13	15	1,128	1,156	4,781	5,937

  

<b>2012</b>	<b>1-30 days past due</b>	<b>30-60 days past due</b>	<b>Greater than 60 days past due</b>	<b>Total past due</b>	<b>Current</b>	<b>Total</b>
Student loans	\$ 1,085	113	4,044	5,242	10,321	15,563
Affiliation contracts	138	116	2,729	2,983	1,242	4,225
Faculty practice plan	90	90	6,743	6,923	90	7,013
Note receivable	—	—	—	—	7,600	7,600
Pledges receivable	—	1	4,575	4,576	1,702	6,278
Miscellaneous	12	13	1,039	1,064	6,589	7,653

Pledges receivable as of June 30 consist of the following:

	<b>2013</b>	<b>2012</b>
Amounts due in less than one year	\$ 3,475	3,821
Amounts due in one to five years	4,190	3,387
Amounts due in more than five years	75	—
	<u>7,740</u>	<u>7,208</u>
Less:		
Allowance for uncollectible pledges	(1,243)	(2,250)
Discount to net present value	(1,009)	(930)
	<u>\$ 5,488</u>	<u>4,028</u>

A note receivable, bearing interest at 12%, from an entity affiliated with a member of the Board of Trustees (the Board) with a balance of \$7,600 as of June 30, 2012 was repaid in November 2012.



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**(4) Investments**

Investments at fair value consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 26,644	16,740
Fixed income securities	1,263	25,278
Equity securities	8,517	34,806
Mutual funds	1,319	10,490
Alternative investments	<u>70,728</u>	<u>10,381</u>
Total investments	<u>\$ 108,471</u>	<u>97,695</u>

Investments at June 30, 2013 and 2012, respectively, include approximately \$5,000 and \$7,000 representing a portion of the NYMC Fund (note 1). In addition, certain of the College's investments have been pledged as security for its outstanding debt obligations (notes 10 and 11).

The composition of investment return reflected in the consolidated statements of activities for the year ended June 30 is as follows:

	<u>2013</u>	<u>2012</u>
Dividends and interest, net of management and related fees	\$ 1,528	2,458
Net appreciation (depreciation) in fair value of investments	<u>6,215</u>	<u>(1,757)</u>
Total investment return	7,743	701
Investment return appropriated for operations, excluding amounts released from restrictions of \$1,279 in 2012	<u>5,388</u>	<u>2,764</u>
Investment return greater (less) than amounts appropriated for operations, reported as nonoperating activities	<u>\$ 2,355</u>	<u>(2,063)</u>

Dividend and interest income includes interest of \$224 and \$993 earned on a note receivable for the years ended June 30, 2013 and 2012, respectively (note 3).

**TOURO COLLEGE AND RELATED ENTITIES**

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**(5) Fair Value Measurements**

The fair value of the College's financial assets that are measured at fair value at June 30, 2013 and 2012 is as follows:

	<b>2013</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 26,644	26,644	—	—
Fixed income securities:				
U.S. government obligations	256	256	—	—
Domestic corporate bonds	673	673	—	—
International government obligations	334	334	—	—
Equity securities:				
Domestic securities	7,679	7,679	—	—
Foreign securities	838	838	—	—
Mutual funds:				
Equity mutual funds	927	927	—	—
Bond mutual funds	392	392	—	—
Alternative investments:				
Equity and fixed income funds				
Global equity fund (a)	39,686	—	39,686	—
Global large/mid cap funds (b)	2,844	—	2,844	—
High quality bond fund (c)	11,472	—	11,472	—
Hedge fund strategies:				
Diversifying funds (d)	2,649	—	2,649	—
Global hedged equity funds (e)	4,128	—	4,128	—
Relative value and event driven (f)	5,192	—	5,192	—
Real assets (g)	986	—	986	—
Real estate partnerships (h)	1,535	—	—	1,535
Other	2,236	—	—	2,236
	<u>108,471</u>	<u>37,743</u>	<u>66,957</u>	<u>3,771</u>
Beneficial interest in perpetual trusts	11,354	—	—	11,354
Deposits with bond trustee:				
U.S. government obligations	5,078	5,078	—	—
	<u>\$ 124,903</u>	<u>42,821</u>	<u>66,957</u>	<u>15,125</u>

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

- (a) Investments primarily in a diversified portfolio of common stocks and equity linked securities in the global public equity markets. The funds may invest in equity securities of foreign companies and may use derivatives as part of its investment strategy including futures, options, forward currency contracts, and swaps.
- (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) Includes investments designed to identify opportunities through mathematical, algorithmic, and technical models, and including international and domestic investments within equity indices, currencies, interest rates, and commodities.
- (e) Funds that invest in long and short positions on equity securities primarily issued by international companies.
- (f) Investments in three strategies; credit, event driven, and multistrategy. 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 postreorganization 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. Multistrategy funds consist of investments in multiple investment strategies including but not limited to hedged equity, event driven, and diversified hedge.
- (g) 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.
- (h) 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.

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	<b>2012</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments:				
Money market funds	\$ 16,740	16,740	—	—
Fixed income securities:				
U.S. government obligations	6,903	6,903	—	—
Domestic corporate bonds	18,041	—	18,041	—
International government obligations	334	334	—	—
Equity securities:				
Domestic securities	31,793	31,793	—	—
Foreign securities	3,013	3,013	—	—
Mutual funds:				
Equity mutual funds	494	494	—	—
Bond mutual funds	7,164	7,164	—	—
Domestic/international real estate	2,832	2,832	—	—
Alternative investments:				
International equity fund	6,789	—	6,789	—
Real estate partnerships	1,456	—	—	1,456
Other	2,136	—	—	2,136
	97,695	69,273	24,830	3,592
Beneficial interest in perpetual trusts	10,016	—	—	10,016
Deposits with bond trustee:				
U.S. government obligations	4,984	4,984	—	—
	\$ 112,695	74,257	24,830	13,608

The activity with respect to the College's Level 3 investments and perpetual trusts is as follows:

	<b>2013</b>				
	<b>Level 3, beginning of year</b>	<b>Net appreciation (depreciation) in fair value</b>	<b>Purchases</b>	<b>Sales</b>	<b>Level 3, end of year</b>
Investments	\$ 3,592	(329)	508	—	3,771
Perpetual trusts	10,016	1,338	—	—	11,354
	\$ 13,608	1,009	508	—	15,125

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	<b>2012</b>				
	<b>Level 3, beginning of year</b>	<b>Net depreciation in fair value</b>	<b>Purchases</b>	<b>Sales</b>	<b>Level 3, end of year</b>
Investments	\$ 4,368	(420)	35	(391)	3,592
Perpetual trusts	10,970	(954)	—	—	10,016
	<u>\$ 15,338</u>	<u>(1,374)</u>	<u>35</u>	<u>(391)</u>	<u>13,608</u>

All Level 3 net unrealized gains (losses) in the tables above are reflected in the accompanying statements of activities and relate to those financial instruments held by the College during the years ended June 30, 2013 and 2012.

There were no transfers between Level 1 and Level 2 securities for the year ended June 30, 2013.

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

Temporarily restricted net assets at June 30, 2013 and 2012 consist principally of appreciation on donor-restricted endowment funds and are available for the following purposes:

	<b>2013</b>	<b>2012</b>
Student support	\$ 4,128	3,585
Departmental support	7,560	6,769
General operating support	7,956	5,496
Research	3,999	3,707
Educational programs	173	172
Total	<u>\$ 23,816</u>	<u>19,729</u>

Permanently restricted net assets, including beneficial interest in perpetual trusts of \$11,354 and \$10,016, respectively, at June 30, 2013 and 2012 are restricted to investment in perpetuity with investment returns available to support the following activities:

	<b>2013</b>	<b>2012</b>
Student support	\$ 3,573	3,507
Departmental support	21,057	19,669
General operating support	3,278	1,907
Research	1,796	1,781
Revolving loan funds	5,632	5,354
Educational programs	123	123
Total	<u>\$ 35,459</u>	<u>32,341</u>

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During 2012, the College determined that unrestricted net assets included revolving loan funds totaling \$5,354, which should have been reported as permanently restricted in accordance with U.S. generally accepted accounting principles. Accordingly, the College reclassified such revolving loan funds to permanently restricted net assets in 2012.

#### **(7) Endowments**

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

The New York Prudent Management of Institutional Funds Act (NYPMIFA) imposes guidelines on the management and investment of endowment funds. The Board has interpreted NYPMIFA as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund 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. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board. As a result of this interpretation, the College continues to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (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.

Accounting guidance associated with the enactment of NYPMIFA requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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;
- (g) Alternatives to expenditure of the endowment fund; and
- (h) The investment policies of the College.

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

		<b>2013</b>			
		<b>Unrestricted</b>	<b>Temporary restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	—	16,939	18,473	35,412
Board-designated endowment funds		34,094	—	—	34,094
Total funds	\$	<u>34,094</u>	<u>16,939</u>	<u>18,473</u>	<u>69,506</u>

  

		<b>2012</b>			
		<b>Unrestricted</b>	<b>Temporary restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	—	15,397	16,971	32,368
Board-designated endowment funds		30,893	—	—	30,893
Total funds	\$	<u>30,893</u>	<u>15,397</u>	<u>16,971</u>	<u>63,261</u>

Changes in the College's endowment net assets were as follows:

		<b>Year ended June 30, 2013</b>			
		<b>Unrestricted</b>	<b>Temporary restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment funds, June 30, 2012	\$	30,893	15,397	16,971	63,261
Investment return:					
Investment income		626	566	—	1,192
Net appreciation in fair value of investments		1,776	2,335	15	4,126
Total investment return		2,402	2,901	15	5,318
Contributions		1,842	25	1,487	3,354
Appropriation for expenditure		(1,208)	(1,384)	—	(2,592)
Transfers and other changes		165	—	—	165
Endowment funds, June 30, 2013	\$	<u>34,094</u>	<u>16,939</u>	<u>18,473</u>	<u>69,506</u>

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	<b>Year ended June 30, 2012</b>			
	<b>Unrestricted</b>	<b>Temporary restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment funds, June 30, 2011	\$ 29,801	19,920	16,936	66,657
Investment return:				
Investment income	495	638	—	1,133
Net (depreciation) appreciation in fair value of investments	(575)	(884)	23	(1,436)
Total investment return	(80)	(246)	23	(303)
Contributions and transfers	2,269	10	12	2,291
Appropriation for expenditure	(1,097)	(1,336)	—	(2,433)
Other changes	—	(2,951)	—	(2,951)
Endowment funds, June 30, 2012	<u>\$ 30,893</u>	<u>15,397</u>	<u>16,971</u>	<u>63,261</u>

Expenditures from a donor-restricted fund are limited to the uses and purposes for which the endowment fund was established. With respect to the portion of the endowment maintained by NYMC (80% and 81% of total endowment net assets as of June 30, 2013 and 2012, respectively), the Board of Trustees of NYMC has limited the use of realized and unrealized gains unless the fair value of a donor-restricted fund exceeds 105% of its historic dollar value.

NYMC's spending policy rate is designed to stabilize annual spending levels and to preserve the real value of endowment investments over time. To meet these objectives, the Board of Trustees of NYMC has authorized a spending rate of 5% of the moving average of the fair value of endowment investments for the previous 20 quarters.

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**

Notes to Consolidated Financial Statements

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

Property and equipment consist of the following at June 30:

	<b>2013</b>	<b>2012</b>
Land	\$ 88,579	82,150
Buildings and improvements	356,973	338,874
Leasehold improvements	59,382	60,488
Interest in leased properties	30,279	29,392
Furniture, equipment, and computer software	46,070	44,074
Construction in progress	8,729	3,311
Library holdings	35,459	32,874
	625,471	591,163
Less accumulated depreciation and amortization	131,578	110,972
Property and equipment, net	\$ 493,893	480,191

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 \$1 per annum.

At May 13, 2011, a preliminary fair value of library holdings at NYMC was used in the purchase price allocation performed in conjunction with the Transaction. During 2012, the library valuation was completed and, based on the final valuation, the College recorded an adjustment of \$5,586 to increase the fair value of the library holdings.

In April 2013, NYMC acquired a 248,000 square foot office building adjacent to the existing campus. The purchase price of \$17,500 was reduced by \$1,072 to reflect the net present value of the \$5,000 ten-year interest free note provided by the seller (note 11(m)).

**(9) Other Assets**

Other assets as of June 30 consist of the following:

	<b>2013</b>	<b>2012</b>
Intangible assets (a)	\$ 11,934	12,859
Restricted cash (b)	1,022	3,602
Deposits with bond trustee (c)	5,078	4,984
Assets held for sale (d)	5,353	5,275
Deferred financing costs	3,362	3,549
Prepaid expenses	3,382	3,597
Other	4,380	4,846
Total	\$ 34,511	38,712

**TOURO COLLEGE AND RELATED ENTITIES**

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**(a) Intangible Assets**

Intangible assets and their initial estimated useful lives as of June 30 are as follows:

	<b>Initial estimated useful lives</b>	<b>2013</b>	<b>2012</b>
Enrolled students	4	\$ 2,400	2,400
Research programs	4	1,300	1,300
Less accumulated amortization		(1,966)	(1,041)
		1,734	2,659
Trade name and accreditation	Indefinite	10,200	10,200
		\$ 11,934	12,859

**(b) Restricted Cash**

NYMC is required to segregate and restrict the cash associated with its faculty practice activities, which totaled \$425 and \$1,604 as of June 30, 2013 and 2012, respectively. As of June 30, 2012, \$1,750 related to the College's settlement with the U.S. Department of Education (ED) (note 12(b)). The College has additional restricted cash of \$597 and \$248 as of June 30, 2013 and 2012, respectively, related to various financing arrangements.

**(c) Deposits with Bond Trustee**

Under loan agreements related to bonds issued by the New York State Dormitory Authority (DASNY), monthly payments are deposited with the trustee for servicing the debt and for capital expenditures related to construction, renovations, and improvements to campus buildings. Deposits with bond trustee as of June 30, 2013 and 2012 consist of the following:

	<b>2013</b>	<b>2012</b>
Debt service	\$ 3,556	3,505
Building and equipment reserve	1,522	1,479
	\$ 5,078	4,984

**(d) 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, 2013 and 2012, \$5,353 and \$5,275, respectively, is recorded as assets held for sale for the portion of the property associated with the condominium. During 2013 and 2012, respectively, five units and six units, with an aggregate sales price of \$1,359 and \$1,696

## TOURO COLLEGE AND RELATED ENTITIES

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were sold, including two units, with an aggregate sales price of \$530 in 2013 and two units with an aggregate sales price of \$669 in 2012, which were sold to two members of the Board. One and six units with an aggregate sales price of \$291 and \$1,676 were under contract for sale at June 30, 2013 and 2012, respectively, and were included in assets held for sale. The cost for the units sold and under contract, approximated the sales prices.

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

Borrowings outstanding under a \$6,000 line of credit (the Line) are \$5,000 and \$6,000 as of June 30, 2013 and 2012, respectively. Interest is payable monthly at the bank's base rate less 0.75% per annum (4.50% as of June 30, 2013 and 2012). The Line is available until May 1, 2018. The Line, together with a term loan of \$3,360 at June 30, 2013 (note 11(k)), letters of credit in the amount of \$58 and \$3,850 as of June 30, 2013 and 2012, respectively, is secured by investments with a market value of \$8,293 and \$9,280 as of June 30, 2013 and 2012, respectively. The Line is further secured by a general security agreement covering substantially all Touro assets (excluding certain properties with a net book value totaling \$119,252 and \$122,070 as of June 30, 2013 and 2012, respectively, and excluding the assets of affiliates), and subordinated to the pledge of substantially all Touro revenue.

NYMC has a \$16,500 line of credit available, borrowings under which bear interest at LIBOR plus 0.70%. NYMC pays an annual fee of 0.30% of the unused portion of the credit line and the line is renewable annually. The amounts outstanding on the line of credit at June 30, 2013 and 2012 were \$15,500 and \$14,000, respectively. NYMC has pledged \$34,159 and \$37,822 as of June 30, 2013 and 2012, respectively, of its investment portfolio as collateral for the line of credit and a term note in the amount of \$3,600 and \$4,050 as of June 30, 2013 and 2012, respectively (note 11(i)).

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

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(Dollars in thousands)

#### (11) Long-Term Debt

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

Description	Maturity date	Interest rate	Amount outstanding at	
			June 30 2013	2012
Bonds payable:				
		.05%-.24% - 2012		
California Bonds (a)	October 2040	.04%-.21% - 2013	\$ 19,955	20,330
Nevada Revenue Bonds (b)	January 2024	5.14%	21,895	22,296
Dormitory Authority of the State of New York (DASNY):				
Tax-Exempt Leasing Program (TELP) (c)				
	January 2015	5.32%	1,269	1,957
Revenue bonds (d)	July 2027	5.00%	46,231	48,349
Notes payable:				
Mortgage Loan (e)	December 2031	4.43%	41,532	42,236
Mortgage Loan (f)	June 2031	4.75%	24,247	24,634
Mortgage Loan (g)	April 2021	4.92%	21,007	21,927
		5.84% - 2012		
GE Taxable Loan (h)	January 2024	4.27% - 2013	10,886	11,051
Term Note (i)	December 2013	LIBOR plus 0.70%	3,600	4,050
Term Loan (j)	May 2013	5.00%	—	3,494
Term Loan (k)	May 2018	4.00%	3,360	—
Mortgage Loan	May 2017	4.90%	1,996	2,070
Mortgage Loan of Affiliate	2012 – 2024	4.25%-12.00%	1,105	1,905
Mortgage Loan of Affiliate	April 2018	5.06%	797	—
Construction Loan of Affiliate	April 2014	4.86%	700	—
Term Loans	August 2017	2.04%-2.91%	800	930
Loan Payable to the Chairman of the Board (l)	September 2014	LIBOR plus 2.00%	5,000	7,000
Note Payable to seller (m)	April 2023	5.00% imputed	3,836	—
Capital Lease Obligations (n)	2013 – 2016	0.94% -15.12%	5,304	7,490
Total			\$ 213,520	219,719

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

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- (a) **California Bonds** – On December 22, 2010, bonds with a principal amount of \$20,690 were issued by the California Municipal Finance Authority (the California Bonds). The California Bonds, which are tax-exempt, require monthly payments of interest, quarterly payments of the annual letter of credit fees (1.65% and 2.10% as of June 30, 2013 and 2012, respectively), and annual payments of principal. The California Bonds are secured by letters of credit, which expire December 2015, in the amount of \$20,250 and \$20,631 at June 30, 2013 and 2012, respectively, which, in turn, are secured by (i) a deed of trust on the land, buildings and improvements, and furniture and equipment of the TUC campus in Vallejo, California, with a net book value of approximately \$24,721 and \$23,271 as of June 30, 2013 and 2012, respectively; (ii) a first perfected security interest in gross revenue of TU; (iii) an investment account totaling \$2,386 and \$2,383 as of June 30, 2013 and 2012, respectively, held by one of the banks issuing the letters of credit; and (iv) a guarantee from TUN.
- (b) **Nevada Revenue Bonds** – On December 18, 2008, 15-year tax-exempt bonds with an aggregate principal amount of \$23,500 were issued on behalf of TUN by GE Government Finance, Inc. (the GE Bonds). The interest rate resets every four years. The next reset date is April 2014. The GE Bonds require monthly payments of principal and interest based upon a 25-year amortization schedule, and upon maturity in 2023, will have a balance of \$16,172 due. The GE Bonds and the GE Loan (note 11(h)) are secured by (i) a mortgage on the land and buildings, including the campus of TUN, with a net book value of approximately \$36,730 and \$37,135 as of June 30, 2013 and 2012, respectively; (ii) a first perfected security interest in the related rents and profits; and (iii) guarantees from Touro and TU.
- (c) **DASNY Tax-Exempt Leasing Program (TELP)** – On May 6, 2004, NYMC concluded a \$6,500 lease arrangement with DASNY under its TELP for the purpose of financing the replacement of chillers and boilers at its Valhalla campus. Interest and principal are payable annually.
- (d) **DASNY Revenue Bonds** – In 1998, DASNY issued the New York Medical College Insured Revenue Bonds Series 1998. NYMC has pledged buildings with a net book value of \$47,715 and \$48,100 as of June 30, 2013 and 2012, respectively, as collateral. In addition, NYMC pledged revenues, including tuition and fees, in an amount equal in each year to the interest, principal and sinking fund requirements due the following July 1. The Series 1998 bonds are callable by NYMC at 100% of the face value of the bonds.
- (e) **Mortgage Loan** – The mortgage loan is secured by a commercial condominium on West 60th Street, Manhattan and land and buildings on 150th Street in Kew Garden Hills, Queens and Avenue J, Brooklyn with a net book value of \$80,657 and \$82,384 as of June 30, 2013 and 2012, respectively. The interest rate is fixed until December 2016 and resets every five years thereafter. Principal and interest are payable monthly on a 30-year amortization schedule with a balance of \$20,945 due at maturity in 2031.
- (f) **Mortgage Loan** – The mortgage loan is secured by the land and building of the West 65th Street dormitory with a net book value of \$53,285 and \$53,353 as of June 30, 2013 and 2012, 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 is fixed until June 2016 and resets every five years thereafter.

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

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- (g) **Mortgage Loan** – The mortgage loan is secured by the land and building of Touro’s Law Center with a net book value of \$32,740 and \$33,672 as of June 30, 2013 and 2012, respectively. Principal and interest is payable monthly on a 25-year amortization schedule and \$13,877 is due at maturity in 2021. The interest rate is fixed until April 2016, at which time it will reset.
- (h) **GE Taxable Loan** – On December 18, 2008, taxable long-term debt was issued on behalf of TUN by GE Government Finance, Inc. with an initial principal amount of \$11,500 (the GE Loan). The GE Loan requires monthly payments of principal and interest based on a 25-year amortization schedule with a balance of \$8,516 due at maturity in 2023. The interest rate resets every two years. The next reset date is January 2015.
- (i) **Term Note** – NYMC has pledged part of its investment portfolio as collateral for the term note and its line of credit (note 10). The note requires semiannual installments with a final amount of \$3,375 due on December 30, 2013.
- (j) **Term Loan** – During 2013, the loan was refinanced (note 11(k)).
- (k) **Term Loan** – The loan is secured by the same collateral as the Line (note 10) and requires monthly fixed principal payment of \$11 and interest on the declining balance with a balance of \$2,023 due at maturity in 2018. The loan is renewable for an additional five years thereafter.
- (l) **Loan Payable to the Chairman of the Board** – The loan is secured by land and buildings in Queens, New York, with a book value of \$19,108 and \$19,403 as of June 30, 2013 and 2012, respectively. During 2013, the College paid \$2,000 of the outstanding balance.
- (m) **Note Payable to Seller** – In connection with the acquisition of an office building at 19 Skyline Drive, Hawthorne, New York (net book value \$16,428) (note 8), the seller of the property provided a \$5,000 interest free 10-year note, which was discounted to net present value. The note is secured by an unsecured bank letter of credit and a guarantee of Touro. The note requires monthly installments of \$42 to be made over a 10-year period. During July 2013, the College replaced the unsecured bank letter of credit with a secured bank letter of credit utilizing part of the College’s investment portfolio as collateral.
- (n) **Capital Lease Obligations** – Certain equipment and leasehold improvements are leased under noncancelable capital leases. The capital lease obligations require monthly payments. Equipment and leasehold improvements subject to capital lease obligations were \$6,696 and \$9,968 net of accumulated depreciation and amortization of \$9,051 and \$8,703 as of June 30, 2013 and 2012, respectively.

On November 20, 2007, bonds were issued on behalf of Touro by the New York City Industrial Development Agency (the NYC Bonds). On December 5, 2011, in conjunction with the issuance of new long-term debt (note 11(e)), the NYC Bonds were refinanced, and a loss of \$2,085 was recognized. In addition, a loss of \$3,013 was recognized related to the termination of the related swap and fees in connection with the defeasance.

**TOURO COLLEGE AND RELATED ENTITIES**

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Future scheduled payments of long-term debt as of June 30, 2013 (assuming interest at rates in effect as of June 30, 2013) are as follows:

	<u>Bonds and notes principal</u>	<u>Capital leases principal</u>	<u>Interest</u>	<u>Total</u>
Year:				
2014	\$ 11,120	2,951	8,678	22,749
2015	11,740	1,731	8,146	21,617
2016	6,487	565	7,779	14,831
2017	8,454	41	7,449	15,944
2018	8,204	16	7,048	15,268
Thereafter	<u>162,586</u>	<u>-</u>	<u>48,156</u>	<u>210,742</u>
Subtotal	208,591	5,304	87,256	301,151
Net unamortized premium	<u>(375)</u>	<u>-</u>	<u>-</u>	<u>(375)</u>
Total	<u>\$ 208,216</u>	<u>5,304</u>	<u>87,256</u>	<u>300,776</u>

Certain debt, the related letters of credit and reimbursement agreements, and certain other loans are subject to covenants, which impose restrictions and filing requirements. As of June 30, 2013, the College was in compliance with these covenants, except for the debt service coverage ratio relating to one loan (note 11(g)). The College obtained a waiver for such covenant violation as of June 30, 2013.

The fair value of bonds and notes payable as of June 30, 2013 was approximately \$242,000. The fair value of the nonvariable rate loans was estimated based on the present value of the existing debt service cash flows of each outstanding series using interest rates as of June 30, 2013 to calculate a bond yield (which approximates the cost of equivalent bonds issued as of June 30, 2013) to be used as a discount rate for the outstanding debt. The fair value of the variable rate debt approximated outstanding balances as of June 30, 2013. The fair value of long-term debt is based upon significant observable inputs, which include current market prices and interest rates of equivalent debt, and would be considered to be Level 2 in the fair value hierarchy.

**TOURO COLLEGE AND RELATED ENTITIES**

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**(12) Other Liabilities**

Other liabilities consist of the following as of June 30:

	<b>2013</b>	<b>2012</b>
Sale leaseback obligation (a)	\$ 14,132	13,548
Deferred income	2,274	2,810
Settlement payable (b)	3,952	7,000
Deposits on assets held for sale (note 9)	214	915
Miscellaneous	226	868
Total	\$ 20,798	25,141

**(a) Sale Leaseback Obligation**

In March 2011, the College entered into a sale and leaseback transaction for its women’s dormitory on West 85th Street, Manhattan for gross proceeds of \$13,000, retired certain debt, and received net proceeds of \$5,300. The College entered into an agreement of lease for the dormitory portions of the property and has the option to repurchase the entire property, including the retail space at the end of the five-year term of the lease (March 2016) for the greater of \$16,000 or 95% of the fair market value of the property. The College recorded a financing obligation related to this transaction in other liabilities of \$12,879 (\$14,132 and \$13,548 as of June 30, 2013 and 2012, respectively). The financing obligation will accrete to \$16,000 by the end of the initial lease term when the College will a) exercise the purchase option; b) extend the lease for two years and increase the minimum purchase option price to \$16,700; or c) vacate the property at the end of the initial or extended term. A gain on sale of the property will be recognized upon the expiration or earlier termination of the option to purchase. The amount of such gain will be based on the original selling price of \$13,000 plus the excess of interest expense recognized over lease payments made less the net book value of the property upon the option termination. Because the College retained an option to repurchase the property, the property continues to be included as property and equipment with a net book value of \$4,871 and \$4,788 as of June 30, 2013 and 2012, respectively.

**(b) Settlement Payable**

The Office of Inspector General (OIG) of the ED audited certain aspects of the College’s administration of the federal student financial assistance programs for the period July 1, 2002 through June 30, 2006. The audit determination by the OIG was that the College had improperly awarded student financial aid by virtue of its not having waited for ED’s affirmative approval of nine new locations that had been applied for. The audit determination was settled for \$7,000 and the withdrawal by the ED of its objections to the Transaction. The College placed \$1,750 in escrow in May 2011 pending execution of a final settlement agreement. The final agreement between the College and ED provided for the release of the escrow to ED in August 2012 and for a three-year payout of the balance commencing October 1, 2012 with interest at 1% per annum.



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**(13) Retirement Plans**

The College has defined contribution retirement plans that cover substantially all of its nonunion employees and which are funded through direct payments to qualified carriers. Employer contributions consist of both discretionary and matching amounts. For the years ended June 30, 2013 and 2012, respectively, the College, excluding NYMC, contributed \$3,180 and \$3,417 to its defined contribution retirement plan. During the years ended June 30, 2013 and 2012, NYMC contributed \$5,980 and \$5,824, respectively, to its defined contribution plans.

In addition, \$427 and \$363 was contributed during the years ended June 30, 2013 and 2012, 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 zone status below is for the plan year beginning January 1, 2013, 2012, and 2011, respectively. The zone status is certified by the plan’s 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:

Pension fund	EIN/pension plan number	PPA zone status			FIP/RP status pending/implemented	Surcharge imposed	Expiration date of collective-bargaining agreement
		2013	2012	2011			
1199 SEIU Health Care Employee Fund	13-3604862/001	Green	Green	Green	*RP Implemented	No	April 30, 2015

\* The 1199 Health Care Employee pension fund has implemented a RP for the period January 1, 2012 through December 31, 2024. In addition, in July 2009, wage concessions were agreed to as well as an increase in annual contributions from contributing members.

## TOURO COLLEGE AND RELATED ENTITIES

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### **(14) Postretirement Benefits Other Than Pensions**

The College provides medical and life insurance benefits under its Postretirement Life and Health Insurance Plan for Eligible Employees (Plan) at NYMC. 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 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, 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 2014.

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 to unrestricted net assets and that these amounts be adjusted as they are subsequently recognized as components of the net periodic benefit cost.

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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, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
<b>Change in benefit obligation:</b>		
Benefit obligation at beginning of year	\$ 6,190	9,832
Service cost	79	63
Interest cost	281	297
Plan participants' contributions	670	565
Amendments	—	(2,139)
Actuarial loss (gain)	542	(1,283)
Benefits paid	(1,324)	(1,217)
Medicare Part D program reimbursement	236	72
	<b>\$ 6,674</b>	<b>6,190</b>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ 3,702	4,073
Actual return on plan assets	551	(20)
Employer contributions	54	229
Plan participants' contributions	670	565
Benefits paid	(1,324)	(1,217)
Medicare Part D program reimbursement	236	72
	<b>\$ 3,889</b>	<b>3,702</b>
<b>Funded status as of June 30:</b>		
Fair value of plan assets	\$ 3,889	3,702
Benefit obligations	6,674	6,190
	<b>\$ (2,785)</b>	<b>(2,488)</b>
<b>Funded status at June 30 (included in accrued payroll and related benefits payable)</b>		
	<b>\$ (2,785)</b>	<b>(2,488)</b>
<b>Amounts recognized in accumulated unrestricted net assets at June 30:</b>		
Net actuarial gain	\$ (368)	(650)
Prior service credit	(1,539)	(1,859)
	<b>\$ (1,907)</b>	<b>(2,509)</b>

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	<b>2013</b>	<b>2012</b>
Components of net periodic benefit credit:		
Service cost	\$ 79	63
Interest cost	281	297
Expected return on plan assets	(303)	(282)
Amortization of prior service credit	(320)	(280)
Amortization of net actuarial loss (gain)	12	(177)
Net periodic benefit credit	\$ (251)	(379)

	<b>2013</b>	<b>2012</b>
Weighted average assumptions used to determine benefit obligations:		
Discount rate – funded portion	5.00%	4.50%
Discount rate – unfunded portion	3.75	3.25
Rate of compensation increase	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate – funded portion	4.50%	5.75%
Discount rate – unfunded portion	3.25	4.75
Healthcare cost trend:		
Increase from current to next fiscal year	8.50%	9.00%
Ultimate rate of increase	4.50	4.50
Year that the ultimate rate is attained	2022	2022

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, 2013:

	<b>One-percent- point increase</b>	<b>One-percent- point decrease</b>
Effect on total service and interest cost component	\$ 27	(22)
Effect on postretirement benefit obligation	468	(400)

**TOURO COLLEGE AND RELATED ENTITIES**

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The estimated actuarial net gain and prior service credit that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2013 are as follows:

Net actuarial gain	\$	(76)
Prior service credit		<u>(320)</u>
	\$	<u><u>(396)</u></u>

The College is not expected to contribute to the plan in 2014.

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:		
2014	\$	445
2015		454
2016		459
2017		461
2018		464
2019–2023		2,236

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 8%. The Plan's target and actual asset allocations as of June 30, 2013 and 2012 are as follows:

Plan assets	Target allocation	Percentage of plan assets	
		2013	2012
Asset category:			
Equity securities	61.0%	68.9%	64.3%
Debt securities	31.0	27.6	33.3
Other	8.0	3.5	2.4

**TOURO COLLEGE AND RELATED ENTITIES**

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(Dollars in thousands)

The Plan's investments at fair value by level within the fair value hierarchy at June 30, 2013 and 2012, are as follows:

		<b>2013</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$	135	135	—	—
U.S. government obligations		292	292	—	—
Domestic corporate bonds		782	—	782	—
Equity mutual funds:					
Domestic		2,091	2,091	—	—
International		589	589	—	—
Total assets	\$	<u>3,889</u>	<u>3,107</u>	<u>782</u>	<u>—</u>
		<b>2012</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$	89	89	—	—
U.S. government obligations		271	271	—	—
Domestic corporate bonds		962	—	962	—
Equity mutual funds:					
Domestic		1,842	1,842	—	—
International		538	538	—	—
Total assets	\$	<u>3,702</u>	<u>2,740</u>	<u>962</u>	<u>—</u>

## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

#### (15) 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:

2013						
		Operations and maintenance	Depreciation	Interest expense	Direct expenses	Total per statement of activities
Instruction and research	\$	22,870	11,011	4,465	159,035	197,381
Academic support		6,956	2,951	867	49,212	59,986
Affiliation contracts and faculty practice		—	—	—	52,029	52,029
Student services		6,705	2,831	1,740	31,361	42,637
Institutional support		9,873	4,809	1,005	65,055	80,742
Auxiliary enterprises		907	387	2,511	5,109	8,914
	\$	47,311	21,989	10,588	361,801	441,689

2012						
		Operations and maintenance	Depreciation	Interest expense	Direct expenses	Total per statement of activities
Instruction and research	\$	22,790	11,052	5,026	155,523	194,391
Academic support		7,396	3,177	1,035	48,621	60,229
Affiliation contracts and faculty practice		—	—	—	52,749	52,749
Student services		6,530	2,773	2,002	30,284	41,589
Institutional support		9,459	4,803	1,184	66,901	82,347
Auxiliary enterprises		958	411	2,603	4,900	8,872
	\$	45,134	22,215	11,850	358,978	440,177

#### (16) Related-Party Transactions

From time to time, the College borrowed from the Chairman of the Board. A loan of \$7,000 was extended in May 2011, secured by land and buildings in Queens, New York, owned by YOC (note 11(1)). In each of August 2012 and June 2013, the College paid \$1,000. The Chairman of the Board has undertaken to reimburse the College for any interest paid by the College for this loan through June 2013.

During the year ended June 30, 2008, the Board authorized special compensation for the late President of the College of \$4,269 in recognition of his prior service and the absence of a deferred compensation or

**TOURO COLLEGE AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

retirement plan for him. As of June 30, 2013 and 2012, \$2,088 and \$3,479, respectively, is included in accrued payroll and related benefits payable and is payable to the late President's estate.

Other related party transactions are disclosed within the notes to the consolidated financial statements.

**(17) Commitments and Contingencies**

**(a) Operating Leases**

Certain facilities are leased under noncancelable operating leases, which expire at various dates through 2032, 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, 2013 are as follows:

	<u>Facilities</u>	<u>Vehicles and equipment</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 15,023	748	15,771
2015	12,476	345	12,821
2016	9,940	90	10,030
2017	9,245	—	9,245
2018	7,778	—	7,778
Thereafter	16,697	—	16,697
	<u>\$ 71,159</u>	<u>1,183</u>	<u>72,342</u>

Rent expense including escalations and other operating costs was \$18,067 and \$18,184 in 2013 and 2012, respectively. Rental income was \$1,915 and \$2,850 in 2013 and 2012, respectively.

**(b) Employment Contracts**

Noncancelable contracts with certain employees expire through August 2020. Future commitments under noncancelable employment contracts as of June 30, 2013 are as follows:

Year ending June 30:	
2014	\$ 21,802
2015	10,095
2016	2,486
2017	467
2018	103
Thereafter	173
	<u>\$ 35,126</u>



## TOURO COLLEGE AND RELATED ENTITIES

### Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

**(c) Construction and Other Contracts**

The College is a party to several construction contracts for various projects. As of June 30, 2013, the amount of minimum noncancelable commitments related to these contracts, substantially all of which are expected to be completed in 2014, is \$7,644.

**(d) 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 consolidated financial position or changes in net assets.

**(e) Regulatory Audits**

Amounts received and expended under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a material adverse effect on the financial position of the College.

From May 2008 through February 2009, ED conducted a program review of the College's administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965 for the period July 1, 2006 through June 30, 2008. In October 2012, ED provided the College with a preliminary report of findings and recommendations to which the College responded. At this time, it is not possible to estimate the potential financial impact, if any, of this program review; however, management does not believe that it will have a material adverse effect on the financial position of the College.

**(18) Concentration of Credit Risk**

Cash and cash equivalent balances may at times exceed Federal Deposit Insurance Corporation coverage and cash, certificates of deposits, and money funds on deposit with banks and brokers for investment purposes may at times exceed Securities Investor Protection Corporation coverage. Management mitigates this financial risk by maintaining funds with high quality credit institutions.

**(19) Subsequent Events**

The College performed an evaluation of subsequent events from July 1, 2013 through October 28, 2013, the date the consolidated financial statements were issued, and concluded no further disclosures are required.

## TOURO COLLEGE AND RELATED ENTITIES

## Consolidating Statement of Financial Position

June 30, 2013

(Dollars in thousands)

Assets	Touro without affiliates	Touro University	Touro University Nevada	Touro University College of Medicine	Yeshiva operations	Foundations	NYMC	Eliminations	Consolidated total
Assets:									
Cash and cash equivalents	\$ 6,798	8,951	6,689	—	2,412	—	16,702	—	41,552
Receivables:									
Student tuition and fees, net	991	1,402	367	—	35	—	74	—	2,869
Student loans, net	2,343	3	3	—	—	—	12,691	—	15,040
Other	9,975	1,161	560	—	599	719	8,967	—	21,981
Due (to) from affiliates	(1,799)	8,564	11,654	—	(17,794)	(625)	—	—	—
Investments	75,207	22,478	—	—	85	2,152	68,630	(60,081)	108,471
Beneficial interest in perpetual trusts	—	—	—	—	—	—	11,354	—	11,354
Property and equipment, net	235,347	24,826	37,798	—	32,956	—	162,966	—	493,893
Other assets	7,040	1,330	1,070	—	5,822	—	19,249	—	34,511
Total assets	<u>\$ 335,902</u>	<u>68,715</u>	<u>58,141</u>	<u>—</u>	<u>24,115</u>	<u>2,246</u>	<u>300,633</u>	<u>(60,081)</u>	<u>729,671</u>
<b>Liabilities and Net Assets</b>									
Liabilities:									
Accounts and accrued expenses payable	\$ 11,794	2,543	3,421	—	564	—	12,655	—	30,977
Accrued payroll and related benefits payable	17,170	2,545	1,934	—	213	—	9,481	—	31,343
Deferred tuition revenue	17,323	5,704	5,330	—	—	—	6,267	—	34,624
Lines of credit and short-term debt	5,000	—	—	—	—	—	15,500	—	20,500
Long-term debt	97,430	20,448	33,074	—	7,632	—	54,936	—	213,520
Refundable federal student loans	1,118	—	—	—	—	—	9,407	—	10,525
Other liabilities	18,510	10	—	—	396	—	1,882	—	20,798
Total liabilities	<u>168,345</u>	<u>31,250</u>	<u>43,759</u>	<u>—</u>	<u>8,805</u>	<u>—</u>	<u>110,128</u>	<u>—</u>	<u>362,287</u>
Net assets:									
Unrestricted	157,548	37,395	14,112	—	15,310	2,246	141,579	(60,081)	308,109
Temporarily restricted	6,921	70	270	—	—	—	16,555	—	23,816
Permanently restricted	3,088	—	—	—	—	—	32,371	—	35,459
Total net assets	<u>167,557</u>	<u>37,465</u>	<u>14,382</u>	<u>—</u>	<u>15,310</u>	<u>2,246</u>	<u>190,505</u>	<u>(60,081)</u>	<u>367,384</u>
Total liabilities and net assets	<u>\$ 335,902</u>	<u>68,715</u>	<u>58,141</u>	<u>—</u>	<u>24,115</u>	<u>2,246</u>	<u>300,633</u>	<u>(60,081)</u>	<u>729,671</u>

See accompanying independent auditors' report.

## TOURO COLLEGE AND RELATED ENTITIES

## Consolidating Statement of Activities

Year ended June 30, 2013

(Dollars in thousands)

	<b>Touro without affiliates</b>	<b>Touro University</b>	<b>Touro University Nevada</b>	<b>Touro University College of Medicine</b>	<b>Yeshiva operations</b>	<b>Foundations</b>	<b>NYMC</b>	<b>Eliminations</b>	<b>Consolidated total</b>
Operating revenue:									
Tuition and fees, net of allowance	\$ 209,953	54,937	37,371	—	1,602	—	54,832	—	358,695
Less scholarships and grants	(26,298)	(1,738)	(55)	—	(9)	—	(4,240)	—	(32,340)
Net tuition and fees	183,655	53,199	37,316	—	1,593	—	50,592	—	326,355
Affiliation contracts and faculty practice	—	—	—	—	—	—	53,914	—	53,914
Government grants for research and sponsored projects	4,030	1,813	860	—	90	—	26,456	—	33,249
Contributions and private grants	3,624	256	160	—	425	1,060	3,385	—	8,910
Investment return	1,173	404	24	—	9	160	3,618	—	5,388
Auxiliary enterprises	2,743	1,589	1,938	—	525	—	4,734	—	11,529
Other	2,429	13	768	—	274	—	2,708	—	6,192
Total operating revenue	197,654	57,274	41,066	—	2,916	1,220	145,407	—	445,537
Operating expenses:									
Instruction and research	102,127	20,806	13,566	—	4,007	—	56,875	—	197,381
Academic support	41,431	7,957	4,706	—	938	—	4,954	—	59,986
Affiliation contracts and faculty practice	—	—	—	—	—	—	52,029	—	52,029
Student services	26,255	4,741	3,019	—	420	—	8,202	—	42,637
Institutional support	45,146	8,262	6,379	—	554	4	20,397	—	80,742
Institutional support – Touro College	(6,300)	6,300	—	—	—	—	—	—	—
Auxiliary enterprises	4,971	1,466	2,272	—	205	—	—	—	8,914
Total operating expenses	213,630	49,532	29,942	—	6,124	4	142,457	—	441,689
Change in net assets from operating activities	(15,976)	7,742	11,124	—	(3,208)	1,216	2,950	—	3,848
Nonoperating activities:									
Pension-related changes other than net periodic benefit cost	—	—	—	—	—	—	(602)	—	(602)
Investment return greater than amounts appropriated for operations	—	—	—	—	—	—	2,355	—	2,355
Forgiveness of intercompany receivable	58,794	(100,000)	(30,000)	34,898	36,308	—	—	—	—
Appreciation in fair value of beneficial interest in perpetual trust	—	—	—	—	—	—	1,338	—	1,338
Change in net assets	42,818	(92,258)	(18,876)	34,898	33,100	1,216	6,041	—	6,939
Net assets (deficit), beginning of year	124,739	129,723	33,258	(34,898)	(17,790)	1,030	184,464	(60,081)	360,445
Net assets, end of year	\$ 167,557	37,465	14,382	—	15,310	2,246	190,505	(60,081)	367,384

See accompanying independent auditors' report.

## TOURO COLLEGE AND RELATED ENTITIES

## Consolidating Statement of Financial Position

June 30, 2012

(Dollars in thousands)

Assets	Touro without affiliates	Touro University	Touro University Nevada	Touro University College of Medicine	Yeshiva operations	Foundations	NYMC	Eliminations	Consolidated total
Assets:									
Cash and cash equivalents	\$ 9,981	3,789	6,233	—	991	—	27,061	—	48,055
Receivables:									
Student tuition and fees, net	2,279	683	127	—	—	—	351	—	3,440
Student loans, net	1,893	—	—	—	—	—	12,657	—	14,550
Other	15,000	8,964	915	—	1,402	758	7,294	—	34,333
Due (to) from affiliates	(58,497)	107,985	32,573	(34,825)	(46,564)	(672)	—	—	—
Investments	74,440	15,843	23	66	77	944	66,383	(60,081)	97,695
Beneficial interest in perpetual trusts	—	—	—	—	—	—	10,016	—	10,016
Property and equipment, net	240,952	23,402	38,390	—	32,416	—	145,031	—	480,191
Other assets	9,965	1,180	1,030	—	5,343	—	21,194	—	38,712
Total assets	<u>\$ 296,013</u>	<u>161,846</u>	<u>79,291</u>	<u>(34,759)</u>	<u>(6,335)</u>	<u>1,030</u>	<u>289,987</u>	<u>(60,081)</u>	<u>726,992</u>
<b>Liabilities and Net Assets (Deficit)</b>									
Liabilities:									
Accounts and accrued expenses payable	\$ 12,254	2,666	3,516	15	1,258	—	12,006	—	31,715
Accrued payroll and related benefits payable	16,163	2,233	1,411	124	165	—	8,720	—	28,816
Deferred tuition revenue	14,464	6,075	4,888	—	—	—	5,350	—	30,777
Lines of credit and short-term debt	6,000	—	—	—	—	—	14,000	—	20,000
Other long-term debt	101,092	21,128	34,218	—	8,925	—	54,356	—	219,719
Refundable federal student loans	1,118	—	—	—	—	—	9,261	—	10,379
Other liabilities	20,183	21	2,000	—	1,107	—	1,830	—	25,141
Total liabilities	<u>171,274</u>	<u>32,123</u>	<u>46,033</u>	<u>139</u>	<u>11,455</u>	<u>—</u>	<u>105,523</u>	<u>—</u>	<u>366,547</u>
Net assets (deficit):									
Unrestricted	117,833	129,659	33,071	(34,898)	(17,790)	1,030	139,551	(60,081)	308,375
Temporarily restricted	5,005	64	187	—	—	—	14,473	—	19,729
Permanently restricted	1,901	—	—	—	—	—	30,440	—	32,341
Total net assets (deficit)	<u>124,739</u>	<u>129,723</u>	<u>33,258</u>	<u>(34,898)</u>	<u>(17,790)</u>	<u>1,030</u>	<u>184,464</u>	<u>(60,081)</u>	<u>360,445</u>
Total liabilities and net assets (deficit)	<u>\$ 296,013</u>	<u>161,846</u>	<u>79,291</u>	<u>(34,759)</u>	<u>(6,335)</u>	<u>1,030</u>	<u>289,987</u>	<u>(60,081)</u>	<u>726,992</u>

See accompanying independent auditors' report.

## TOURO COLLEGE AND RELATED ENTITIES

## Consolidating Statement of Activities

Year ended June 30, 2012

(Dollars in thousands)

	<u>Touro without subsidiaries</u>	<u>Touro University</u>	<u>Touro University Nevada</u>	<u>Touro University College of Medicine</u>	<u>Yeshiva operations</u>	<u>Foundations</u>	<u>NYMC</u>	<u>Eliminations</u>	<u>Consolidated total</u>
Operating revenue:									
Tuition and fees, net of allowance	\$ 212,402	50,769	36,979	—	1,501	—	51,140	—	352,791
Less scholarships and grants	(27,660)	(1,061)	(32)	—	(12)	—	(3,399)	—	(32,164)
Net tuition and fees	184,742	49,708	36,947	—	1,489	—	47,741	—	320,627
Affiliation contracts and faculty practice	—	—	—	—	—	—	54,727	—	54,727
Government grants for research and sponsored projects	10,063	1,956	414	—	126	—	25,778	—	38,337
Contributions and private grants	1,723	461	62	—	371	68	2,761	—	5,446
Investment return	95	1,117	14	—	7	41	1,490	—	2,764
Auxiliary enterprises	2,149	806	2,157	—	549	—	4,487	—	10,148
Other	2,302	10	919	—	2,014	—	3,806	—	9,051
Total operating revenue	201,074	54,058	40,513	—	4,556	109	140,790	—	441,100
Operating expenses:									
Instruction and research	99,139	19,994	14,199	—	3,899	—	57,160	—	194,391
Academic support	41,847	7,729	4,526	—	903	—	5,224	—	60,229
Affiliation contracts and faculty practice	—	—	—	—	—	—	52,749	—	52,749
Student services	26,366	4,396	2,879	—	372	—	7,576	—	41,589
Institutional support	42,141	9,260	7,242	—	2,090	7	21,607	—	82,347
Institutional support – Touro College	(6,063)	6,063	—	—	—	—	—	—	—
Auxiliary enterprises	4,860	1,514	2,290	—	208	—	—	—	8,872
Total operating expenses	208,290	48,956	31,136	—	7,472	7	144,316	—	440,177
Change in net assets from operating activities	(7,216)	5,102	9,377	—	(2,916)	102	(3,526)	—	923
Nonoperating activities:									
Loss on defeasance of bonds	(2,085)	—	—	—	—	—	—	—	(2,085)
Pension-related changes other than net periodic benefit cost	—	—	—	—	—	—	2,663	—	2,663
Investment return less than amounts appropriated for operations	—	—	—	—	—	—	(2,063)	—	(2,063)
Change in fair value of interest rate swaps	(3,013)	—	—	—	—	—	—	—	(3,013)
Contribution of excess of fair value of net assets acquired over purchase price	—	—	—	—	—	—	5,586	—	5,586
Depreciation in fair value of beneficial interest in perpetual trust	—	—	—	—	—	—	(954)	—	(954)
Other	(314)	—	—	—	—	—	—	—	(314)
Change in net assets	(12,628)	5,102	9,377	—	(2,916)	102	1,706	—	743
Net assets (deficit), beginning of year	137,367	124,621	23,881	(34,898)	(14,874)	928	182,758	(60,081)	359,702
Net assets (deficit), end of year	\$ 124,739	129,723	33,258	(34,898)	(17,790)	1,030	184,464	(60,081)	360,445

See accompanying independent auditors' report.

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**APPENDIX B-3**

**FINANCIAL STATEMENTS OF NEW YORK MEDICAL COLLEGE  
AND INDEPENDENT AUDITORS' REPORT**

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**NEW YORK MEDICAL COLLEGE**

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)



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

## Independent Auditors' Report

The Board of Trustees  
New York Medical College:

We have audited the accompanying financial statements of New York Medical College, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Medical College as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 28, 2013

**NEW YORK MEDICAL COLLEGE**

Statements of Financial Position

June 30, 2013 and 2012

(Dollars in thousands)

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents (note 2)	\$ 16,702	27,061
Receivables (note 3):		
Student tuition and fees, net	74	351
Student loans, net	12,691	12,657
Other, net (note 2)	8,967	7,294
Investments (notes 2, 6, and 7)	68,630	66,383
Deposits with bond trustee (notes 7 and 10)	5,078	4,984
Property and equipment, net (note 4)	162,966	145,031
Intangible and other assets, net (notes 2 and 5)	14,171	16,210
Beneficial interest in perpetual trusts (note 7)	11,354	10,016
	<hr/>	<hr/>
Total assets	\$ 300,633	289,987
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,655	12,006
Accrued payroll and related benefits payable	6,696	6,232
Deferred tuition and other revenue	8,149	7,180
Short-term debt (note 11)	15,500	14,000
Postretirement benefit obligation (note 13)	2,785	2,488
Government loan funds refundable	9,407	9,261
Long-term debt (note 10)	54,936	54,356
	<hr/>	<hr/>
Total liabilities	110,128	105,523
	<hr/>	<hr/>
Contingencies and commitments (notes 7, 10, 12, 13, and 14)		
Net assets (notes 8 and 9):		
Unrestricted	141,579	139,551
Temporarily restricted	16,555	14,473
Permanently restricted	32,371	30,440
	<hr/>	<hr/>
Total net assets	190,505	184,464
	<hr/>	<hr/>
Total liabilities and net assets	\$ 300,633	289,987
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

**NEW YORK MEDICAL COLLEGE**

Statements of Activities

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	2013				2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Changes in unrestricted net assets:								
Operating revenue:								
Tuition and fees, net	\$ 50,592	—	—	50,592	47,741	—	—	47,741
Affiliation contracts (note 2)	39,498	—	—	39,498	39,664	—	—	39,664
Faculty practice plans	14,416	—	—	14,416	15,063	—	—	15,063
Research and sponsored projects	26,456	—	—	26,456	25,778	—	—	25,778
Contributions	2,213	635	537	3,385	2,739	10	12	2,761
Investment return (note 6)	3,618	—	—	3,618	1,490	—	—	1,490
Auxiliary enterprises	4,734	—	—	4,734	4,487	—	—	4,487
Other revenue	2,667	—	41	2,708	3,806	—	—	3,806
Net assets released from restrictions	—	—	—	—	1,279	(1,279)	—	—
Total operating revenue	144,194	635	578	145,407	142,047	(1,269)	12	140,790
Operating expenses:								
Instructional and research	56,875	—	—	56,875	57,160	—	—	57,160
Affiliation contracts	38,684	—	—	38,684	38,488	—	—	38,488
Faculty practice plans	13,345	—	—	13,345	14,261	—	—	14,261
Academic support	4,954	—	—	4,954	5,224	—	—	5,224
Student services	8,202	—	—	8,202	7,576	—	—	7,576
Institutional support (note 2)	20,397	—	—	20,397	21,607	—	—	21,607
Total operating expenses	142,457	—	—	142,457	144,316	—	—	144,316
Change in net assets from operating activities	1,737	635	578	2,950	(2,269)	(1,269)	12	(3,526)
Nonoperating activities:								
Investment return greater (less) than amounts appropriated for operations (note 6)	893	1,447	15	2,355	(1,756)	(330)	23	(2,063)
Appreciation (depreciation) in fair value of beneficial interest in perpetual trust	—	—	1,338	1,338	—	—	(954)	(954)
Pension-related changes other than net periodic benefit credit	(602)	—	—	(602)	2,663	—	—	2,663
Acquisition-related fair market value adjustments (note 4)	—	—	—	—	5,586	—	—	5,586
Reclassification of revolving loan activities (note 8)	—	—	—	—	(5,354)	—	5,354	—
Total nonoperating activities	291	1,447	1,353	3,091	1,139	(330)	4,423	5,232
Increase (decrease) in net assets	2,028	2,082	1,931	6,041	(1,130)	(1,599)	4,435	1,706
Net assets at beginning of year	139,551	14,473	30,440	184,464	140,681	16,072	26,005	182,758
Net assets at end of year	\$ 141,579	16,555	32,371	190,505	139,551	14,473	30,440	184,464

See accompanying notes to financial statements.

**NEW YORK MEDICAL COLLEGE**

Statements of Cash Flows

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 6,041	1,706
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Acquisition-related fair market value adjustments	—	(5,586)
Depreciation and amortization	7,466	7,378
Provision for doubtful receivables	628	1,101
(Appreciation) depreciation in fair value of beneficial interest in perpetual trusts	(1,338)	954
Net (appreciation) depreciation in fair value of investments	(5,054)	1,734
Contributions restricted for long-term use	(537)	(12)
Grant restricted for capital	(3,036)	—
Loss on disposal of equipment	38	154
Pension-related changes other than net periodic benefit cost	602	(2,663)
Accretion of imputed interest related to long-term debt	33	—
Changes in operating assets and liabilities:		
Receivables	(841)	2,791
Intangible and other assets	1,114	633
Accounts payable and accrued expenses	649	(2,003)
Accrued payroll and related benefits payable, and postretirement benefit obligation	159	(1,614)
Deferred tuition and other revenue	969	1,108
Net cash provided by operating activities	<u>6,893</u>	<u>5,681</u>
Cash flows from investing activities:		
Change in cash – limited use (note 2)	—	26,000
Proceeds from sales of investments	219,885	31,199
Purchase of investments	(217,078)	(37,741)
Increase in deposits with bond trustee	(94)	(130)
Purchases of property and equipment	(20,891)	(5,193)
Disbursement of student loans	(2,433)	(1,213)
Collection of student loans	2,657	2,855
Net cash (used in) provided by investing activities	<u>(17,954)</u>	<u>15,777</u>
Cash flows from financing activities:		
Borrowings from line of credit	23,500	26,000
Repayment of line of credit	(22,000)	(24,113)
Increase in government loan funds refundable	128	141
Repayment of long-term debt	(3,372)	(2,948)
Contributions restricted for long-term use	537	12
Grant restricted for capital	1,909	—
Change in other assets	—	874
Net cash used in financing activities	<u>702</u>	<u>(34)</u>
Net (decrease) increase in cash and cash equivalents	<u>(10,359)</u>	<u>21,424</u>
Cash and cash equivalents:		
Beginning of year	27,061	5,637
End of year	\$ <u>16,702</u>	<u>27,061</u>
Supplemental disclosures:		
Interest paid	\$ 2,402	2,571
Short-term debt refinanced to long-term	—	4,275
Reclassification of intangible assets to property and equipment, net	—	2,864
Note payable related to purchase of property	3,928	—

See accompanying notes to financial statements.

# NEW YORK MEDICAL COLLEGE

## Notes to Financial Statements

June 30, 2013 and 2012

### (1) Description of Organization

New York Medical College (the College), a member of the Touro College and University System, is a health sciences university whose enrollment approximates 1,450 students. The College is committed to educating individuals for careers in the medical, science, and health professions. The College is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

The College is a membership, not-for-profit corporation in the State of New York. Prior to May 13, 2011, the members of the College consisted of members appointed and controlled by the Archdiocese of New York (the Archdiocese). On May 13, 2011, a transaction (the Transaction) was completed pursuant to the Membership Substitution Agreement (the Agreement). NYMC, LLC, a wholly controlled subsidiary of Touro College (Touro), a New York State not-for-profit education corporation, acquired 100% of the membership interest in the College from the then current members and thereby the right to exercise the reserved powers and authority as the sole member of the College.

There are three schools within the College – a School of Medicine, conferring the MD degree; and two graduate schools, the Graduate School of Basic Medical Sciences and the School of Health Sciences and Practice, which offer Master of Science (MS), Master of Public Health (MPH), and doctoral (PhD, Dr. PH, DPT) degrees in 16 program areas and 6 certification programs.

The College is the only academic biomedical research institution in the Hudson Valley region. Nearly 200 scientists at the College conduct research ranging from fundamental investigations in molecular biology to investigations of potential new drugs used in the treatment of patients. Support for the College's research programs, from both government and private sources, is significant.

The College's healthcare network extends south into New York City and its metropolitan area, north into Westchester County and the mid-Hudson Valley in New York State, east into Connecticut, and west into New Jersey. Educational resources are provided to the College by 26 affiliated facilities that include large urban medical centers, small suburban hospitals, and technologically advanced, regional tertiary care facilities. This network enables the College to offer its medical students diverse patient care experiences. The College has a national reputation for a strong educational program in primary care. The College has a contractual relationship with Westchester Medical Center, an academic medical center in Valhalla, New York, responsible for advancing the quality of the nation's health through its teaching and research activities. The College has other affiliation contracts with other healthcare organizations to provide physician services under these arrangements.

## NEW YORK MEDICAL COLLEGE

### Notes to Financial Statements

June 30, 2013 and 2012

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

##### (a) *Financial Statement Presentation*

The accompanying 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 (FASB) 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.

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 revenues. Expiration of temporary restrictions on prior year net asset balances is reported as net assets released from restrictions.

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

The College considers all highly liquid debt 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. The carrying amounts of cash and cash equivalents approximate fair value because of the short maturities of those instruments.

The College maintains cash and cash equivalents on deposit primarily at several regional banks. It is the College's policy to monitor the financial strength of these institutions and funds on an ongoing basis. Management believes the credit risk related to these deposits is minimal.

The College is required to segregate and restrict the cash associated with its faculty practice activities. Such cash totaled \$425 and \$1,604 at June 30, 2013 and 2012, respectively, and is included in intangible and other assets on the accompanying statement of financial position. Payables associated with these activities totaled \$278 and \$1,455 at June 30, 2013 and 2012, respectively.

In connection with the Transaction, in accordance with the Agreement, \$26,000 of the cash portion of the purchase price, as well as a \$3,000 note receivable from an unrelated third party, was contributed to the College by the Archdiocese (the NYMC Fund). As of June 30, 2011, the cash portion of the NYMC Fund was reported as cash – limited use. However, during 2012, the College reviewed the agreement governing the use of the NYMC Fund and determined that, because it can be used for current operations, it was not restricted or otherwise limited as to its use. Pursuant to this determination, management reclassified the cash portion of the NYMC Fund to cash and cash equivalents in 2012 and reported such increase in investing activities in the accompanying 2012

## NEW YORK MEDICAL COLLEGE

### Notes to Financial Statements

June 30, 2013 and 2012

statement of cash flows. The NYMC Fund as of June 30, 2013 and 2012 is reported as cash and cash equivalents (approximately \$10,000 and \$20,000, respectively), investments (\$5,000 and \$7,000, respectively), and other receivables (\$1,000 and \$2,000, respectively).

**(c) *Student Tuition and Other Receivables***

Student tuition and other receivables are reported net of an allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In establishing the allowance, management considers the aging of receivables as well as customer payment patterns, financial condition, receivables in dispute, and relationship with the College. The College reviews its allowance quarterly. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered.

**(d) *Grants and Contributions***

The College receives grants and contributions from a number of sources including the federal government, private foundations, and individuals. The contracts or gift instruments are evaluated as to whether the transaction qualifies as exchange transactions 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 reported as deferred tuition and other revenue on the statement of financial position.

Receipts qualifying as contributions, including unconditional promises to give (pledges), are recognized as revenues 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.

**(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 represent 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.



## NEW YORK MEDICAL COLLEGE

### Notes to Financial Statements

June 30, 2013 and 2012

**(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 on the statement of financial position.

**(g) Property and Equipment**

Property and equipment was recorded at fair value as of May 13, 2011 pursuant to the Transaction. Subsequent additions are recorded at cost at the date of acquisition or fair value at date of donation, if gifted to the College.

Depreciation is provided on a straight-line basis over the estimated useful lives, or the terms of the lease for the applicable plant assets, if shorter, as follows: buildings and building improvements, 25 – 43 years; library holdings, 10 – 20 years; equipment and computer software, 3 – 15 years; leasehold improvements, 25 – 30 years; and interest in leased properties, 20 – 30 years. Maintenance and repair costs are charged to operations as incurred. Expenditures, which extend the useful lives of existing assets, are capitalized. Upon retirement or sale, the cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reported on the statement of activities.

**(h) Tuitions, Fees, and Discount**

Tuition and fees are recognized as earned over the respective academic term. The policy of the College has been to award tuition discounts to deserving students in lieu of accepting only students who have the ability to pay full tuition. Tuition and fees revenue is reported net of discounts, which amounted to \$4,240 and \$3,399 for the years ended June 30, 2013 and 2012, respectively.

**(i) Operating Measure**

The operating activities of the College include all revenue and expenses related to carrying out its mission of educating students. The operating measure also includes amounts related to the spending rate policy and any additional budgeted investment returns on endowment funds as approved by the Board of Trustees of the College to protect the inflation-adjusted value of the endowment. The operating activities exclude investment return in excess of (less than) the spending rate, pension-related changes other than net periodic benefit cost, acquisition-related fair market value adjustments, and other nonrecurring items.

**(j) Investments**

Investments with readily determinable fair values are reported at fair value based upon quoted market prices. Alternative investments 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 statement of activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

## NEW YORK MEDICAL COLLEGE

### Notes to Financial Statements

June 30, 2013 and 2012

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 financial statements.

**(k) *Affiliation Contracts***

Revenues and expenses from affiliation contracts primarily reflect the contractual relationship with Westchester Medical Center (WMC) and Westchester Institute for Human Development (WIHD) for the provision of salaries and fringe benefits for physicians providing services under the arrangement. For the years ended June 30, 2013 and 2012, revenue from WMC totaled \$26,421 and \$26,500, respectively, and revenue from WIHD totaled \$11,379 and \$11,166, respectively.

**(l) *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 but has no control over investment decisions regarding these assets; therefore, they are recorded as permanently restricted net assets. Although the beneficial interest in perpetual trusts is categorized as Level 3 in the fair value hierarchy due to the College's lack of control over the trusts, the fair value of the assets of perpetual trusts is based upon quoted market prices at year-end,

**(m) *Fundraising***

Institutional support expenses include fundraising costs of \$820 and \$702 for the years ended June 30, 2013 and 2012, respectively. Fundraising costs include the salaries and employee benefits of staff that develop proposals for fundraising, solicit contributions, and conduct specific fundraising events. Fundraising costs are expensed as incurred.

**(n) *Impairment of 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, 2013 and 2012.

## NEW YORK MEDICAL COLLEGE

### Notes to Financial Statements

June 30, 2013 and 2012

**(o) *Intangible Assets***

Intangible assets consist of enrolled students, research programs, and trade name and accreditation status. The enrolled students and research programs intangible assets are amortized over their estimated useful lives of four years. The trade name and accreditation related intangible asset is indefinite-lived, and is evaluated for impairment on an annual basis.

**(p) *Functional Reporting of Expenses***

The costs of the College's activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the activities benefited. The College allocates operation and maintenance of plant, depreciation, and interest expense based on proportional expenditures using estimates of building square footage and the functional use of each facility financed by debt.

**(q) *Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues, expenses, gains, and losses during the reporting period. The most significant estimates are the allowance for doubtful accounts, acquisition-related fair value adjustments, fair value of investments, postretirement benefit obligation, and the allocation of expenses to their functional categories. Actual results could differ from those estimates.

**(r) *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, 2013 and 2012, the College does not have any uncertain tax positions or any unrelated business income tax liability which would have a material impact upon its financial statements.

**(s) *Reclassifications***

Certain reclassifications have been made to the 2012 financial statements in order to conform to the current year's presentation.

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

**(3) Receivables**

Receivables at June 30, 2013 and 2012 consist of the following:

	<b>2013</b>		
	<b>Accounts receivable</b>	<b>Allowance for doubtful accounts</b>	<b>Net receivable</b>
Student tuition and fees	\$ 220	(146)	74
Student loans	\$ 13,732	(1,041)	12,691
Other:			
Government and other grants	\$ 4,035	—	4,035
Affiliation contracts	2,836	(1,026)	1,810
Faculty practice plans	1,944	(1,463)	481
Miscellaneous	3,823	(1,182)	2,641
Total other	\$ 12,638	(3,671)	8,967
	<b>2012</b>		
	<b>Accounts receivable</b>	<b>Allowance for doubtful accounts</b>	<b>Net receivable</b>
Student tuition and fees	\$ 497	(146)	351
Student loans	13,642	(985)	12,657
Other:			
Government and other grants	\$ 2,039	—	2,039
Affiliation contracts	4,225	(2,422)	1,803
Faculty practice plans	7,013	(6,783)	230
Miscellaneous	4,384	(1,162)	3,222
Total other	\$ 17,661	(10,367)	7,294

In the current year, the College wrote off approximately \$7,119 of accounts receivable against the allowance for doubtful accounts, primarily related to affiliation contracts and faculty practice plans.

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

The following table provides an analysis of the aging of certain receivables as of June 30, 2013 and 2012:

<b>2013</b>						
	<b>1-30 days past due</b>	<b>30-60 days past due</b>	<b>Greater than 60 days past due</b>	<b>Total past due</b>	<b>Current</b>	<b>Total</b>
Student loans	\$ 3,061	77	2,938	6,076	7,656	13,732
Affiliation contracts	111	23	1,318	1,452	1,384	2,836
Faculty practice plans	90	90	1,245	1,425	519	1,944
Miscellaneous	13	15	1,128	1,156	2,667	3,823

  

<b>2012</b>						
	<b>1-30 days past due</b>	<b>30-60 days past due</b>	<b>Greater than 60 days past due</b>	<b>Total past due</b>	<b>Current</b>	<b>Total</b>
Student loans	\$ 1,083	111	3,544	4,738	8,904	13,642
Affiliation contracts	138	116	2,729	2,983	1,242	4,225
Faculty practice plans	90	90	6,743	6,923	90	7,013
Miscellaneous	12	13	1,039	1,064	3,320	4,384

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

At June 30, 2013 and 2012, the College's property and equipment consists of the following:

	<b>2013</b>	<b>2012</b>
Land	\$ 20,548	15,750
Buildings and building improvements	99,449	85,990
Interest in leased properties	30,279	29,392
Equipment and computer software	11,847	11,048
Library holdings	11,144	9,711
Leasehold improvements	392	392
Construction in progress	3,691	421
	<u>177,350</u>	<u>152,704</u>
Less accumulated depreciation and amortization	14,384	7,673
Property and equipment, net	\$ <u>162,966</u>	<u>145,031</u>

During 2013, the College purchased a 250,000 square-foot building at 19 Skyline Drive in Hawthorne, New York for \$16,428.

Construction in progress consists primarily of renovations to the Dana Road Building.

Interest in leased properties represents the fair value of the College's long-term leases under which the rental commitment is \$1 per annum.

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

At May 13, 2011, a preliminary accounting for the fair value of the library holdings was used in the purchase price allocation performed in conjunction with the Transaction. During 2012, the library valuation was completed and based on the final valuation, the College recorded an adjustment of \$5,586 to increase the fair value of the library holdings from its preliminary estimate of \$2,900.

**(5) Intangible Assets, Net**

Intangible assets and their estimated useful lives as of June 30, 2013 and 2012 are as follows:

	<b>Initial estimated useful lives</b>		<b>2013</b>	<b>2012</b>
			<u>          </u>	<u>          </u>
Enrolled students	4	\$	2,400	2,400
Research programs	4		1,300	1,300
Trade name and accreditation	Indefinite		<u>10,200</u>	<u>10,200</u>
			13,900	13,900
Less accumulated amortization			<u>(1,966)</u>	<u>(1,041)</u>
		\$	<u><u>11,934</u></u>	<u><u>12,859</u></u>

**(6) Investments**

Investments, at fair value, as of June 30, 2013 and 2012 consist of the following:

		<b>2013</b>	<b>2012</b>
		<u>          </u>	<u>          </u>
Cash and cash equivalents	\$	126	2,812
Fixed income securities		—	19,602
Equity securities		—	25,894
Mutual funds		69	9,923
Equity funds		42,530	—
Fixed income funds		11,472	—
Hedge funds		12,955	6,789
Real estate partnership and other		<u>1,478</u>	<u>1,363</u>
Total investments	\$	<u><u>68,630</u></u>	<u><u>66,383</u></u>

At its September 2012 meeting, the Board of Trustees appointed the Commonfund to manage the College's investments. All investments managed by the previous investment manager were liquidated and the proceeds transferred to the Commonfund to be invested.

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

The following table summarizes the investment return for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Dividends and interest, net of investment management fees of \$278 for 2013 and \$303 for 2012	\$ 919	1,161
Net appreciation (depreciation) in fair value of investments	<u>5,054</u>	<u>(1,734)</u>
Total investment return	5,973	(573)
Investment return appropriated for operations, excluding amounts released from restriction of \$1,279 in 2012	<u>3,618</u>	<u>1,490</u>
Investment return greater (less) than amounts appropriated for operations	<u>\$ 2,355</u>	<u>(2,063)</u>

**(7) 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. A fair value hierarchy was established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The College measures the fair value of its financial investments and nonfinancial assets and liabilities utilizing the three-tiered hierarchy, defined as follows:

- Level 1 inputs are quoted prices (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 active market pricing within Level 1 that are observable for the asset or liability, either directly or indirectly. Included in this tier are also investments measured at net asset value that are redeemable on or near the date of the statement of financial position.
- Level 3 inputs are unobservable inputs for the asset or liability, and investments measured at net asset value that are not redeemable near the date of the statement of financial position.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the College's interest therein, its classification in Level 2 or 3 is based on the College's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term (within 90 days), the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

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.

At June 30, 2013 and 2012, the carrying values of the College's financial instruments other than loans receivable from students under government loan programs and long-term debt approximate fair value due to the short-term nature of such instruments.

A reasonable estimate of the fair value of loans receivable from students under government loan programs (carrying amounts of approximately \$4,798 and \$4,556 at June 30, 2013 and 2012, respectively) could not be made because the notes are not saleable and can only be assigned to the U.S. government or its designees.

The fair value of student tuition and fees receivables, student loan receivables excluding those under government loan programs, and other receivables and payables involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

The fair value of the portion of long-term debt representing the Series 1998 Bonds approximates \$47,123 and \$50,789 at June 30, 2013 and 2012, respectively. The fair value of the Series 1998 bonds was estimated based on the present value of the existing debt service cash flows of each outstanding series using interest rates as of June 30, 2013 and 2012 to calculate a bond yield (which approximates the cost of equivalent bonds issued as of June 30, 2013 and 2012) to be used as a discount rate for the outstanding Series 1998 bonds. The fair values of the remaining long-term debt approximate their outstanding balances as of June 30, 2013 and 2012. The fair value of long-term debt is based on significant observable inputs, which include current market prices and interest rates of equivalent bonds, considered to be Level 2 in the fair value hierarchy.



**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

The fair value of the College's financial assets that are measured at fair value in the financial statements at June 30, 2013 and 2012 is as follows:

	<b>2013</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 126	126	—	—
Equity mutual funds	69	69	—	—
Alternative investments:				
Equity and fixed income funds:				
Global equity funds (a)	39,686	—	39,686	—
Global large/mid cap funds (b)	2,844	—	2,844	—
High quality bond fund (c)	11,472	—	11,472	—
Hedge fund strategies:				
Diversifying funds (d)	2,649	—	2,649	—
Global hedged equity funds (e)	4,128	—	4,128	—
Relative value and event driven (f)	5,192	—	5,192	—
Real assets (g)	986	—	986	—
Real estate partnership (h)	1,352	—	—	1,352
Other	126	—	—	126
	<u>68,630</u>	<u>195</u>	<u>66,957</u>	<u>1,478</u>
Beneficial interest in perpetual trusts	11,354	—	—	11,354
Deposits with bond trustee:				
U.S. government obligations	5,078	5,078	—	—
Total assets	<u>\$ 85,062</u>	<u>5,273</u>	<u>66,957</u>	<u>12,832</u>

- (a) Investments primarily in a diversified portfolio of common stocks and equity linked securities in the global public equity markets. The funds may invest in equity securities of foreign companies and may use derivatives as part of its investment strategy including futures, options, forward currency contracts, and swaps.
- (b) Consists of investments in large and mid cap equity securities using an indexing investment approach.
- (c) Consists of high quality, investment grade only, fixed income securities.
- (d) Includes investments designed to identify opportunities through mathematical, algorithmic and technical models, and including international and domestic investments within equity indices, currencies, interest rates, and commodities.
- (e) Funds that invest in long and short positions on equity securities primarily issued by international companies.

## NEW YORK MEDICAL COLLEGE

### Notes to Financial Statements

June 30, 2013 and 2012

- (f) 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 re-organization 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.
- (g) 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.
- (h) 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 partnership is to achieve long-term gross returns while focusing on the preservation of capital. The partnership does not permit redemptions, has a remaining life of 1.5 years and unfunded commitments totaling \$33 as of June 30, 2013.

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

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

	<b>2012</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 2,812	2,812	—	—
Fixed income securities:				
U.S. government obligations	1,561	1,561	—	—
Domestic corporate bonds	18,041	—	18,041	—
Equity securities:				
Domestic securities	23,395	23,395	—	—
Foreign securities	2,499	2,499	—	—
Mutual funds:				
Equity mutual fund	26	26	—	—
Bond mutual funds	7,065	7,065	—	—
Domestic/international real estate	2,832	2,832	—	—
Alternative investments:				
International equity fund	6,789	—	6,789	—
Real estate partnership	1,273	—	—	1,273
Other	90	—	—	90
	<u>66,383</u>	<u>40,190</u>	<u>24,830</u>	<u>1,363</u>
Beneficial interest in perpetual trusts	10,016	—	—	10,016
Deposits with bond trustee:				
U.S. government obligations	4,984	4,984	—	—
Total assets	\$ <u>81,383</u>	<u>45,174</u>	<u>24,830</u>	<u>11,379</u>

The activity with respect to the College's Level 3 investments and perpetual trusts is as follows:

	<b>2013</b>				
	<u>Level 3, beginning of year</u>	<u>Net appreciation in fair value of investments</u>	<u>Purchases</u>	<u>Sales</u>	<u>Level 3, end of year</u>
Investments	\$ 1,363	32	83	—	1,478
Perpetual trusts	10,016	1,338	—	—	11,354
	\$ <u>11,379</u>	<u>1,370</u>	<u>83</u>	<u>—</u>	<u>12,832</u>

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

	<b>2012</b>				
	<b>Level 3, beginning of year</b>	<b>Net appreciation (depreciation) in fair value of investments</b>	<b>Purchases</b>	<b>Sales</b>	<b>Level 3, end of year</b>
Investments	\$ 1,203	125	35	—	1,363
Perpetual trusts	10,970	(954)	—	—	10,016
	<u>\$ 12,173</u>	<u>(829)</u>	<u>35</u>	<u>—</u>	<u>11,379</u>

All Level 3 net unrealized gains (losses) in the tables above are reflected in the accompanying statements of activities and relate to those financial instruments held by the College at June 30, 2013 and 2012.

There were no transfers between Level 1 and Level 2 securities for the year ended June 30, 2013.

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

Temporarily restricted net assets at June 30, 2013 and 2012 consist principally of appreciation on donor-restricted endowment funds and are available for the following purposes:

	<b>2013</b>	<b>2012</b>
Student support	\$ 3,046	2,704
Departmental support	4,898	4,304
General operating support	4,463	3,623
Research	3,999	3,707
Educational programs	149	135
Total	<u>\$ 16,555</u>	<u>14,473</u>

Permanently restricted net assets, including beneficial interest in perpetual trusts of \$11,354 and \$10,016, respectively, at June 30, 2013 and 2012 are restricted to investment in perpetuity, with investment return available to support the following activities:

	<b>2013</b>	<b>2012</b>
Student support	\$ 3,457	3,457
Departmental support	20,058	18,669
General operating support	1,305	1,056
Research	1,796	1,781
Revolving loan funds	5,632	5,354
Educational programs	123	123
Total	<u>\$ 32,371</u>	<u>30,440</u>

## NEW YORK MEDICAL COLLEGE

### Notes to Financial Statements

June 30, 2013 and 2012

During 2012, the College determined that unrestricted net assets included revolving loan funds totaling \$5,354 which should have been reported as permanently restricted in accordance with U.S. generally accepted accounting principles. Accordingly, the College reclassified such revolving loan funds to permanently restricted net assets in 2012.

#### **(9) Endowments**

The College's endowment consists of 112 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments.

The New York Prudent Management of Institutional Funds Act (NYPMIFA) imposes guidelines on the management and investment of endowment funds. The Board of Trustees of the College has interpreted NYPMIFA as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund 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. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the College continues to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (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.

In accordance with NYPMIFA, the Board of Trustees 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;
- (g) Alternatives to expenditure of the endowment fund; and
- (h) The investment policies of the College.

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

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

		<b>2013</b>			
		<b>Unrestricted</b>	<b>Temporary restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted	\$	—	15,859	15,385	31,244
Quasi (board-designated)		24,302	—	—	24,302
Total funds	\$	<u>24,302</u>	<u>15,859</u>	<u>15,385</u>	<u>55,546</u>

  

		<b>2012</b>			
		<b>Unrestricted</b>	<b>Temporary restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted	\$	—	14,392	15,070	29,462
Quasi (board-designated)		21,670	—	—	21,670
Total funds	\$	<u>21,670</u>	<u>14,392</u>	<u>15,070</u>	<u>51,132</u>

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

The College's spending policy rate is designed to stabilize annual spending levels and to preserve the real value of endowment investments over time. To meet these objectives, the Board of Trustees has authorized a spending rate of 5% of the moving average of the fair value of endowment investments for the previous twenty quarters.

Changes in the College's endowment net assets were as follows:

		<b>2013</b>			
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment funds, June 30, 2012	\$	21,670	14,392	15,070	51,132
Investment return:					
Investment income		247	405	—	652
Net appreciation		1,776	2,335	15	4,126
Total investment return		2,023	2,740	15	4,778
Contributions and transfers		1,455	25	300	1,780
Appropriation for expenditure		(846)	(1,298)	—	(2,144)
Endowment funds, June 30, 2013	\$	<u>24,302</u>	<u>15,859</u>	<u>15,385</u>	<u>55,546</u>

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds, June 30, 2011	\$ 20,838	15,993	15,035	51,866
Investment return:				
Investment income	379	552	—	931
Net (depreciation) appreciation	<u>(575)</u>	<u>(884)</u>	<u>23</u>	<u>(1,436)</u>
Total investment return	(196)	(332)	23	(505)
Contributions and transfers	1,884	10	12	1,906
Appropriation for expenditure	<u>(856)</u>	<u>(1,279)</u>	<u>—</u>	<u>(2,135)</u>
Endowment funds, June 30, 2012	\$ <u>21,670</u>	<u>14,392</u>	<u>15,070</u>	<u>51,132</u>

**(10) Long-Term Debt**

Long-term debt outstanding at June 30 is as follows:

Description	Maturity date	Interest rate	2013	2012
Bonds payable				
Dormitory Authority of the State of New York, Revenue Bonds, Series 1998 Bonds (i)				
	July 2027	5.00%	\$ 46,231	48,349
2004 TELP lease loan				
	January 2015	5.32%	1,269	1,957
Term note payable (ii)				
	December 2013	Variable	3,600	4,050
Note payable (iii)				
	April 2023	5.00% imputed	<u>3,836</u>	<u>—</u>
Bonds payable and other long-term debt			\$ <u>54,936</u>	<u>54,356</u>

- (i) The College has pledged the Basic Science Building and the Medical Education Center as collateral for the fixed rate Series 1998 Bonds. The net book value of the collateralized properties at June 30, 2013 and 2012 was approximately \$47,715 and \$48,100, respectively. In addition, the College pledged revenues, including tuition and fees, in an amount equal in each year to the interest, principal, and sinking fund requirements due the following July 1 of each year. The Series 1998 bonds are callable by the College at 100% of the face value of the bonds. There are certain financial covenants pertaining to the College's ability to secure additional borrowing, which are required to be maintained by the College. The College is in compliance with these covenants as of June 30, 2013 and 2012.
- (ii) The term note bears interest at a fixed rate of LIBOR plus 0.70%. The College has pledged part of its investment portfolio as collateral for the term note. The note requires semi-annual installments to be made each July and December of \$225 with a final amount of \$3,375 due on December 30, 2013.

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

(iii) On December 14, 2012, the seller of the property provided a \$5,000 interest free 10 year note as part of the purchase of the property at 19 Skyline Drive, Hawthorne, New York. The note is guaranteed by Touro College, as well as an unsecured letter of credit provided by Bank of America (see note 14). The note requires monthly installments of \$42 to be made over a 10-year period.

Under the Dormitory Authority loan agreement, monthly payments are deposited with a trustee for servicing the debt and capital expenditures related to construction, renovations, and improvements to campus buildings. Deposits with bond trustee at June 30, 2013 and 2012 comprised the following:

	<u>2013</u>	<u>2012</u>
Debt service	\$ 3,556	3,505
Building and equipment reserve	1,522	1,479
	<u>\$ 5,078</u>	<u>4,984</u>

Aggregate long-term debt matures in the fiscal years as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 6,876	2,415
2015	3,135	2,228
2016	2,781	2,080
2017	2,914	1,934
2018	3,052	1,782
Thereafter	36,553	8,266
	55,311	18,705
Less fair market value adjustment	<u>(375)</u>	—
	<u>\$ 54,936</u>	<u>18,705</u>

Interest expense for the years ended June 30, 2013 and 2012 totaled \$2,360 and \$2,571, respectively.

**(11) Short-Term Debt**

The College has a \$16,500 line of credit available, borrowings under which bear interest at LIBOR plus 0.70%. The College pays an annual fee of 0.30% of the unused portion of the credit line and the line is renewable annually. The amounts outstanding on the line of credit at June 30, 2013 and 2012 were \$15,500 and \$14,000, respectively. The College has pledged part of its investment portfolio, approximately \$34,159 and \$37,822 at June 30, 2013 and 2012, respectively, as collateral for this line of credit.

**(12) Retirement Plans**

The College has a defined contribution retirement plan, which covers substantially all its nonunion employees, and which is funded through direct payments to qualified carriers. For each eligible employee, the College contributes an average of 7% of the employee's salary. The employee's contribution is discretionary, up to 15% of their salary in accordance with all legal regulations. During the years ended



**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

June 30, 2013 and 2012, the College contributed \$5,980 and \$5,824, respectively, to these tax deferred annuity plans for faculty and certain administrative employees.

In addition, \$427 and \$363 was contributed during the years ended June 30, 2013 and 2012, respectively, to a union administered plan for employees 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 (PPS) zone status below is for the plan years beginning January 1, 2013, 2012, and 2011, 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.

Pension fund	EIN/pension plan number	PPA zone status			FIP/RP status pending/implemented	Surcharge imposed	Expiration date of collective-bargaining agreement
		2013	2012	2011			
1199 SEIU Health Care Employee Pension Fund	13-3604862/001	Green	Green	Green	*RP Implemented	No	April 30, 2015

\* The 1199 Health Care Employee Pension Fund has implemented a rehabilitation plan for the period January 1, 2012 through December 31, 2024. In addition, in July 2009, wage concessions were agreed to as well as an increase in annual contributions from contributing members.

**(13) Postretirement Benefits Other than Pensions**

The College provides medical and life insurance benefits under its Postretirement Life and Health Insurance Plan for Eligible Employees (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 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, 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 2014.

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

Under the accounting guidance for postretirement benefits, the College recognizes on the statement 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 to 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 6,190	9,832
Service cost	79	63
Interest cost	281	297
Plan participants' contributions	670	565
Amendments	—	(2,139)
Actuarial loss (gain)	542	(1,283)
Benefits paid	(1,324)	(1,217)
Medicare Part D program reimbursement	236	72
Benefit obligation at end of year	<u>6,674</u>	<u>6,190</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	3,702	4,073
Actual return on plan assets	551	(20)
Employer contributions	54	229
Plan participants' contributions	670	565
Benefits paid	(1,324)	(1,217)
Medicare Part D program reimbursement	236	72
Fair value of plan assets at end of year	<u>3,889</u>	<u>3,702</u>
Funded status at end of year	\$ <u>(2,785)</u>	<u>(2,488)</u>
	<b>June 30</b>	
	<u>2013</u>	<u>2012</u>
Amounts not yet recognized in net periodic benefit cost:		
Net actuarial gain	\$ (368)	(650)
Prior service credit	(1,539)	(1,859)
	\$ <u>(1,907)</u>	<u>(2,509)</u>

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

	<b>Year ended June 30</b>	
	<b>2013</b>	<b>2012</b>
Components of net periodic benefit credit:		
Service cost	\$ 79	63
Interest cost	281	297
Expected return on plan assets	(303)	(282)
Amortization of prior service credit	(320)	(280)
Amortization of net actuarial loss (gain)	12	(177)
Net periodic benefit credit	<u>\$ (251)</u>	<u>(379)</u>
	<b>2013</b>	<b>2012</b>
Weighted average assumptions used to determine benefit obligations:		
Discount rate – funded portion	5.00%	4.50%
Discount rate – unfunded portion	3.75	3.25
Rate of compensation increase	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate:		
Discount rate – funded portion	4.50%	5.75%
Discount rate – unfunded portion	3.25	4.75
Healthcare cost trend:		
Increase from current to next fiscal year	8.50%	9.00%
Ultimate rate of increase	4.50	4.50
Year that the ultimate rate is attained	2022	2022

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, 2013:

	<b>One percentage- point increase</b>	<b>One percentage- point decrease</b>
Effect on total service and interest cost component	\$ 27	(22)
Effect on postretirement benefit obligation	468	(400)

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

The estimated actuarial net gain and prior service credit that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2013 are as follows:

Net actuarial gain	\$	(76)
Prior service credit		<u>(320)</u>
	\$	<u><u>(396)</u></u>

The College is not expected to contribute to the Plan in 2014.

Expected benefit payments are the total amount expected to be paid from the Plan's or the College's assets. The expected benefit payments, net of plan participant contributions, are as follows:

Fiscal year(s):		<b><u>Estimated benefits payments</u></b>
2014	\$	445
2015		454
2016		459
2017		461
2018		464
2019 – 2023		2,236

The investment policy statement of the College, established by the 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, 2013 and 2012 are as follows:

<b><u>Plan assets</u></b>	<b><u>Target allocation</u></b>	<b><u>Percentage of plan assets</u></b>	
		<b><u>2013</u></b>	<b><u>2012</u></b>
Asset category:			
Equity securities	61.0%	68.9%	64.3%
Debt securities	31.0	27.6	33.3
Other	8.0	3.5	2.4

**NEW YORK MEDICAL COLLEGE**

Notes to Financial Statements

June 30, 2013 and 2012

The pension plans' investments at fair value, by level within the fair value hierarchy at June 30, 2013 and 2012, are as follows:

		<b>2013</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$	135	135	—	—
U.S. government obligations		292	292	—	—
Domestic corporate bonds		782	—	782	—
Equity mutual funds:					
Domestic		2,091	2,091	—	—
International		589	589	—	—
Total assets	\$	<u>3,889</u>	<u>3,107</u>	<u>782</u>	<u>—</u>

  

		<b>2012</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$	89	89	—	—
U.S. government obligations		271	271	—	—
Domestic corporate bonds		962	—	962	—
Equity mutual funds:					
Domestic		1,842	1,842	—	—
International		538	538	—	—
Total assets	\$	<u>3,702</u>	<u>2,740</u>	<u>962</u>	<u>—</u>

**(14) Other Contingencies and Commitments**

The College is involved in various other legal actions, arising in the normal course of operations. The College is of the opinion that the resolution of these matters will not have a significant effect upon the financial condition of the College.

During July 2013, the College replaced the unsecured letter of credit on the 10 year note payable with a secured letter of credit utilizing part of the College's investment portfolio as security.

The College has elected to participate in the U.S. Department of Education (DOE) Zone Alternative cash monitoring program for payment of Title IV funds pending the DOE's review of the College's financial statements and report on federal awards in accordance with OMB Circular A-133 for the fiscal year ended on June 30, 2013.

Certain funding that the College receives from governmental agencies are subject to audit.

**(15) Subsequent Events**

The College has performed an evaluation of subsequent events from July 1, 2013 to October 28, 2013, which is the date the financial statements were issued, and concluded that no further disclosures are required.

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**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS**

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of one of the Loan Agreements and the summarized provisions are substantively identical to the other Loan Agreement. Such summary does not purport to be complete and reference is made to the Loan Agreements 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 Applicable Series 2014 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.

*(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 Institutions; General and Unconditional Obligation; Voluntary Payments**

Except to the extent that moneys are available therefor under the Resolution, the Applicable Series 2014 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 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 Applicable Series 2014 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 2014A 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 2014A 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 2014A 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 2014A 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 University shall also furnish annually, not later than one hundred eighty (180) days after the end of the University'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 Applicable Series 2014 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 University 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 Applicable Series 2014 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 Applicable Series 2014 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 2014 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 independent, meaning that it 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 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 (which unrealized gains or losses (A) includes “other than temporary” declines in book values and (B) excludes investment returns included in unrestricted operating revenues); (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 scheduled payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Members 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) 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 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 (which unrealized gains or losses (A) includes “other than temporary” declines in book values and (B) excludes investment returns included in unrestricted operating revenues); (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 Mortgaged

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. Except to the extent required in order to obtain an Opinion of Bond Counsel in (ii) above, a portion of the proceeds from the sale of Mortgaged Property shall be deposited by the applicable Member of the Obligated Group in a segregated account and may be applied for the following purposes: (A) the purchase or improvement of Property that is to be subject to a Mortgage for the benefit of the Master Trustee, or (B) to redeem, defease or otherwise discharge Obligations. The portion of the proceeds subject to the preceding sentence shall be limited to an amount equal to the book value of such Property as of the end of the most recent fiscal year for which Audited Financial Statements are available. Amounts in excess of the amount described in the preceding sentence shall not be subject to the requirement that such funds be deposited into a segregated account, but shall be subject to the requirements of clauses (i) and (ii) above.

(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;

(iii) Notwithstanding subsection (b)(i) above, a covenant violation under Section 3.07(g) shall constitute an immediate Event of Default hereunder.

(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 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.

(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 and 2 contain the following additional covenants which shall be applicable so long as Obligation Nos. 1 or 2 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 APPROVING OPINIONS OF BOND COUNSEL**

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## APPENDIX F

### PROPOSED FORMS OF APPROVING OPINIONS OF BOND COUNSEL

Upon delivery of the Series 2014A Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP  
ONE CHASE MANHATTAN PLAZA  
NEW YORK, NEW YORK 10005

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

Ladies and Gentlemen:

We, as Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Act”), have examined a record of proceedings relating to the issuance of \$55,960,000 aggregate principal amount of Touro College and University System Obligated Group Revenue Bonds, Series 2014A (the “Series 2014A Bonds”).

The Series 2014A Bonds are issued under and pursuant to the Act, the Touro College and University System Obligated Group Revenue Bond Resolution (the “Bond Resolution”) and the Series 2014A Resolution Authorizing Up To \$100,000,000 Touro College and University System Obligated Group Revenue Bonds, Series 2014A (the “Series 2014A Resolution”), each adopted by the Authority on May 14, 2014. The Bond Resolution and the Series 2014A Resolution are herein collectively referred to as the “Resolutions.”

The Series 2014A 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 2014A 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 2014A Bonds, the Revenues and all funds and accounts established by the Series 2014A 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 2014A 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 2014A 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 2014A Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2014A Bonds.

5. The Loan Agreements between the Authority and, respectively, Touro College and New York Medical College (collectively, the “Institutions”), each dated as of May 14, 2014 (collectively, the “Loan Agreements”), have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by each of the Institutions, and the enforcement of the Loan Agreements against the Institutions, constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2014A 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 2014A 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 each of the Institutions, as applicable, with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014A Bonds from gross income under Section 103 of the Code. In addition, we have relied on the opinions of counsel to the Institutions regarding, among other matters, the current qualifications of each of the Institutions as organizations described in Section 501(c)(3) of the Code. For any Series 2014A 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 2014A Bonds.

7. Under existing statutes, interest on the Series 2014A 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 or state tax consequences with respect to the Series 2014A Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express 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 2014A Bonds, or the exemption from personal income taxes of interest on the Series 2014A Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2014A Bonds, the Resolutions and the Loan Agreements 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 2014A Bond and, in our opinion, the form of said Series 2014A Bond and its execution are regular and proper.

Very truly yours,

Upon delivery of the Series 2014B Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP  
ONE CHASE MANHATTAN PLAZA  
NEW YORK, NEW YORK 10005

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

Ladies and Gentlemen:

We, as Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Act”), have examined a record of proceedings relating to the issuance of \$38,325,000 aggregate principal amount of Touro College and University System Obligated Group Revenue Bonds, Series 2014B (Federally Taxable) (the “Series 2014B Bonds”).

The Series 2014B Bonds are issued under and pursuant to the Act, the Touro College and University System Obligated Group Revenue Bond Resolution (the “Bond Resolution”) and the Series 2014B Resolution Authorizing Up To \$100,000,000 Touro College and University System Obligated Group Revenue Bonds, Series 2014B (the “Series 2014B Resolution”), each adopted by the Authority on May 14, 2014. The Bond Resolution and the Series 2014B Resolution are herein collectively referred to as the “Resolutions.”

The Series 2014B 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 2014B 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 2014B Bonds, the Revenues (as such term is defined in the Resolutions) and all funds and accounts established by the Series 2014B Resolution, including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2014B 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 2014B 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 2014B Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2014B Bonds.

5. The Loan Agreement between the Authority and New York Medical College (the “Institution”), dated as of May 14, 2014 (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 its terms.

6. Interest on the Series 2014B Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. The opinion in this paragraph is not intended or provided by Bond Counsel to be used and cannot be used by an owner of the Series 2014B Bonds for the purpose of avoiding Federal taxpayer penalties that may be imposed on such owner. The opinion in this paragraph is provided to support the promotion or marketing of the Series 2014B Bonds. Each owner of the Series 2014B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

7. Under existing statutes, interest on the Series 2014B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2014B Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2014B 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 2014B Bond and, in our opinion, the form of said Series 2014B Bond and its execution are regular and proper.

Very truly yours,

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