

NEW ISSUE



Moody's: Aa1
Standard & Poor's: AA
(See "Ratings" herein)

\$285,000,000	
DORMITORY AUTHORITY OF THE STATE OF NEW YORK CORNELL UNIVERSITY REVENUE BONDS, SERIES 2010A	
Dated: Date of Delivery	Due: July 1, as shown below

Payment and Security: The Cornell University Revenue Bonds, Series 2010A (the "Series 2010A Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable solely from, and secured by a pledge of (i) certain payments to be made under the Loan Agreement dated as of January 26, 2000, as amended and supplemented (the "Loan Agreement") between Cornell University (the "University") and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund and any fund established for the payment of the Purchase Price of Option Bonds tendered for purchase) established under the Authority's Cornell University Revenue Bond Resolution, adopted January 26, 2000, as amended and supplemented (the "Resolution"), and the Cornell University Series Resolution Authorizing Series 2010A Bonds, adopted January 27, 2010 (the "Series 2010A Resolution").

The Loan Agreement is a general, unsecured obligation of the University and requires the University to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay, when due, the principal, Sinking Fund Installments, if any, Purchase Price and Redemption Price of and interest on all Bonds issued under the Resolution, including the Series 2010A Bonds.

The Series 2010A Bonds are not a debt of the State of New York (the "State") nor is the State liable thereon. The Authority has no taxing power.

Description: The Series 2010A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due January 1, 2011 and each July 1 and January 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2010A Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least \$1,000,000 in principal amount of Series 2010A Bonds, by wire transfer to the holder of such Series 2010A Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2010A Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2010A Bonds, by wire transfer to the holders of such Series 2010A Bonds as more fully described herein.

The Series 2010A 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 2010A Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2010A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2010A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement to beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2010A BONDS - Book-Entry Only System" herein.

Redemption or Purchase: *The Series 2010A Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein.*

Tax Exemption: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Series 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2010A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010A Bonds. See "PART 10 - TAX MATTERS" herein regarding certain other tax considerations.

- \$16,210,000 4.00% Term Bonds Due July 1, 2032, Yield 4.15% CUSIP Number 649905R73 ¹**
- \$30,430,000 5.00% Term Bonds Due July 1, 2032, Yield 4.06%* CUSIP Number 649905S23 ¹**
- \$78,690,000 5.00% Term Bonds Due July 1, 2035, Yield 4.20%* CUSIP Number 649905R81 ¹**
- \$159,670,000 5.00% Term Bonds Due July 1, 2040, Yield 4.27%* CUSIP Number 649905R99 ¹**

* Priced to the first par call on July 1, 2020.

The Series 2010A Bonds are offered when, as, and if issued and received by the Underwriters. The offer of the Series 2010A 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 Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the University by its University Counsel and Secretary of the Corporation, James Mingle, Esq., Ithaca, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York. The Authority expects to deliver the Series 2010A Bonds in definitive form in New York, New York, on or about June 9, 2010.

BofA Merrill Lynch			Citi
Fidelity Capital Market Services	Goldman, Sachs & Co.	Janney Montgomery Scott LLC	J.P. Morgan
M&T Securities	Morgan Stanley		M.R. Beal & Company

May 28, 2010

¹ CUSIP numbers herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2010A Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2010A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2010A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the University or the Underwriters to give any information or to make any representations with respect to the Series 2010A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the University 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 2010A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the University and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriters guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority or of the Underwriters.

The University has reviewed the parts of this Official Statement describing the University, the 2010A Project, the Estimated Sources and Uses of Funds and Appendix B. It is a condition to the sale of and the delivery of the Series 2010A Bonds that the University certify to the Underwriters and the Authority that, as of the date of this Official Statement and of delivery of the Series 2010A 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 University makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolution, the Series 2010A Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2010A Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2010A Resolution and the Loan Agreement are on file with the Authority and the Trustee.

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

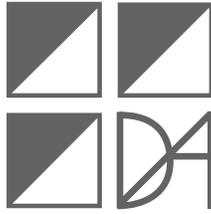
Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority and the University have remained unchanged after the date of this Official Statement.

The Underwriters have reviewed the information in the 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.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2010A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

515 BROADWAY, ALBANY, N.Y. 12207
ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO
\$285,000,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
CORNELL UNIVERSITY
REVENUE BONDS, SERIES 2010A

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and the University, in connection with the offering by the Authority of \$285,000,000 principal amount of its Cornell University Revenue Bonds, Series 2010A (the “Series 2010A Bonds”).

The following is a brief description of certain information concerning the Series 2010A Bonds, the Authority and the University. A more complete description of such information and additional information that may affect decisions to invest in the Series 2010A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2010A Bonds are being issued (i) to refinance a portion of the University’s taxable commercial paper notes, (ii) to pay the Costs of the 2010A Project, (iii) to provide moneys sufficient to pay a portion of the interest on the Series 2010A Bonds, and (iv) to pay certain Costs of Issuance of the Series 2010A Bonds. See “PART 4 - THE 2010A PROJECT” and “PART 5 - ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2010A Bonds will be issued pursuant to the Resolution, the Series 2010A Resolution and the Act. In addition to the Series 2010A Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay other Costs of one or more Projects, to pay certain Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes or bonds of the Authority issued for the benefit of the University. The Bonds permitted to be issued under the Resolution include Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. All Bonds issued under the Resolution rank on a parity with each other and are secured equally and ratably with each other. See PART 2 – “SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS.”

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational and not-for-profit institutions. See “PART 7 – THE AUTHORITY.”

The University

The University is a private, non-sectarian, not-for-profit institution of higher education chartered by the State legislature, with a unique relationship to the State. The University has two campuses in the State; its main campus in Ithaca and its Medical College campus in New York City. See “PART 6 - THE UNIVERSITY” and “Appendix B – Financial Statements of Cornell University (With Independent Auditors’ Report Thereon).”

The Series 2010A Bonds

The Series 2010A Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2011 and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on cover page of this Official Statement. See “PART 3 - THE SERIES 2010A BONDS - Description of the Series 2010A Bonds.”

Payment of the Series 2010A Bonds

The Series 2010A Bonds and all other Bonds which may be issued under the Resolution are special obligations of the Authority payable solely from the Revenues which consist of certain payments to be made by the University under the Loan Agreement, which payments are pledged and assigned to the Trustee. The Loan Agreement is a general, unsecured obligation of the University. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS - Payment of the Series 2010A Bonds.”

Security for the Series 2010A Bonds

The Series 2010A Bonds are secured equally with all other Bonds issued under the Resolution by the pledge of the Revenues, the proceeds of the Bonds and all funds and accounts established by the Resolution and any Series Resolution (other than the Arbitrage Rebate Fund and any fund established for the payment of the purchase price of Option Bonds tendered for purchase).

The Loan Agreement is a general, unsecured obligation of the University. No security interest in any revenues or assets of the University has been granted by the University to the Authority under the Loan Agreement. However, the University has granted security interests in certain revenues and assets of the University to secure certain of the University’s outstanding indebtedness other than the Bonds. In addition, pursuant to the Loan Agreement, the University may incur Debt secured by a lien and pledge of revenues of the University without granting to the Authority any security interest in any revenues to secure the University’s obligations under the Loan Agreement. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS - Security for the Series 2010A Bonds and Issuance of Additional Bonds” and “PART 6 – THE UNIVERSITY – ANNUAL FINANCIAL STATEMENT INFORMATION – Indebtedness.”

The Series 2010A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. Neither the State nor the Authority has any responsibility to make payments with respect to the Series 2010A Bonds except for the Authority’s responsibility to make payments from moneys received from the University pursuant to the Loan Agreement and from amounts held in the funds and accounts under the Resolution and pledged therefor.

The 2010A Project

The 2010A Project consists of the various construction and renovation projects throughout the University’s campuses. See “PART 4 - THE 2010A PROJECT.”

PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2010A BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2010A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreement, the Resolution and the Series 2010A Resolution. Copies of the Loan Agreement, the Resolution and the Series 2010A Resolution are on file with the Authority and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement” and “Appendix D - Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2010A Bonds

The Series 2010A Bonds and all other Bonds issued under the Resolution are special obligations of the Authority. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2010A Bonds and all other Bonds which may be issued under the Resolution are payable solely from the Revenues, which consist of payments to be made by the University pursuant to the Loan Agreement on account of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Bondholders.

The Loan Agreement is a general obligation of the University. The Loan Agreement obligates the University to make payments to satisfy the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on Outstanding Series 2010A Bonds. Payments made by the University in respect of interest on the Series 2010A Bonds are to be made on the 20th day of each June immediately preceding the July 1 and on the 20th day of each December immediately preceding the January 1 on which interest is payable, in each case in an amount equal to the interest coming due on the next succeeding interest payment date. Payments by the University in respect of principal are to be made on the 20th day of each June immediately preceding the July 1 on which such principal becomes due. The Loan Agreement also obligates the University to pay, at least 45 days prior to a redemption date or purchase date of Series 2010A Bonds called for redemption or contracted to be purchased, the amount, if any, required to pay the Purchase Price or Redemption Price of such Bonds. See "PART 3 - THE SERIES 2010A BONDS - Redemption and Purchase in Lieu of Redemption Provisions."

The Authority has directed, and the University has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2010A Bonds.

Security for the Series 2010A Bonds

The Series 2010A Bonds are secured equally with all other Bonds issued under the Resolution by the pledge of the Revenues, the proceeds of the Bonds and all funds and accounts established by the Resolution and any Series Resolution (other than the Arbitrage Rebate Fund and any fund established for the payment of the Purchase Price of Option Bonds tendered for purchase).

The Series 2010A Bonds are not a debt of the State nor is the State liable thereon. The Authority has no taxing power. Neither the State nor the Authority has any responsibility to make payments with respect to the Series 2010A Bonds except for the Authority's responsibility to make payments from moneys received from the University pursuant to the Loan Agreement and from amounts held in the funds and accounts under the Resolution and pledged therefor.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general, unsecured obligations of the University. The obligations of the University to make payments or cause the same to be made under the Loan Agreement are complete and unconditional and the amount, manner and time of making such payments are not to 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 University may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever.

No security interest in any revenues or assets of the University has been granted by the University to the Authority under the Loan Agreement. However, the University has granted security interests in certain revenues and assets of the University to secure certain of the University's outstanding indebtedness other than the Bonds. See "PART 6 - THE UNIVERSITY - ANNUAL FINANCIAL STATEMENT INFORMATION - Indebtedness," for a description of such indebtedness of the University secured by certain pledged revenues. In the event of a default under any debt instrument secured by such pledged revenues, the holder or trustee under such debt instrument (including the Authority as the holder of such other debt) will have the right to collect a portion or all of such pledged revenues, and apply the revenues so collected to the payment of amounts due under such debt instrument. Any revenues so collected and applied will not be available for satisfying any of the University's obligations under the Loan Agreement.

Events of Default and Acceleration

The following are events of default under the Resolution: (i) a default in the payment of the principal, Sinking Fund Installment, if any, or Redemption Price of or interest on any Bond; (ii) the Authority defaults in the due and punctual performance of the tax covenants contained in the Resolution, and, as a result thereof, the interest on Bonds of a Series shall no longer be excludable from gross income under the Code; (iii) a default by the Authority in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Resolution or any Series Resolution on the part of the Authority to be performed and the continuance of such default for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds; or (iv) an event of default under the Loan Agreement shall have been declared and is continuing and all sums payable by the University under the Loan Agreement have been declared immediately due and payable (unless such declaration has been annulled). Unless otherwise specified above, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee may, and upon the written request of Holders of not less than 25% in principal amount of the Bonds Outstanding will, by notice in writing to the Authority, declare the principal of and interest on all of the Bonds Outstanding to be immediately due and payable. At the expiration of 30 days from the giving of notice of such declaration, such principal and interest will become immediately due and payable. The Trustee, with the written consent of the Holders of not less than 25% in principal amount of Bonds not yet due by their terms and then Outstanding, will annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

Notwithstanding any other provision of the Resolution to the contrary, upon the Authority's failure to comply with the covenant described in clause (ii) of the first paragraph under this heading, upon the direction of the Holders of not less than 25% in principal amount of the Outstanding Bonds of the Series affected thereby, the Trustee is to exercise the rights and remedies provided to the Bondholders under the Resolution. However, the Resolution provides that in no event may the Trustee, whether or not it is acting at the direction of the Holders of 25% or more in principal amount of the Outstanding Bonds of the Series affected thereby, declare the principal of such Series of Bonds, and the interest accrued thereon, to be due and payable immediately as a result of the Authority's failure to comply with such covenant.

The Resolution provides that the Trustee is to give notice in accordance with the Resolution of each event of default known to the Trustee to the Holders of the Bonds within 30 days after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice. However, except in the case of default in the payment of the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any of the Bonds, the Trustee is protected in withholding such notice thereof from the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Bonds.

Issuance of Additional Bonds

In addition to the Bonds currently Outstanding under the Resolution and the Series 2010A Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance one or more projects and for other specified purposes including to refund Outstanding Bonds or other notes or bonds of the Authority issued on behalf of the University. The Bonds which may be issued include Fixed Interest Rate Bonds, Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. There is no limit on the amount of additional Bonds that may be issued under the Resolution or the amount of indebtedness that may be otherwise incurred by the University.

General

The Series 2010A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 7 - THE AUTHORITY."

PART 3 – THE SERIES 2010A BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2010A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution and the Loan Agreement, copies of which are on file with the Authority and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement” and “Appendix D - Summary of Certain Provisions of the Resolution” for a more complete description of certain provisions of the Series 2010A Bonds.

General

The Series 2010A Bonds will be issued pursuant to the Resolution. The Series 2010A 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 2010A 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 2010A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2010A Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Series 2010A Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2010A Bonds, the Series 2010A Bonds will be exchangeable for fully registered Series 2010A Bonds in any authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “Book-Entry Only System” below and “Appendix D - Summary of Certain Provisions of the Resolution.”

Description of the Series 2010A Bonds

The Series 2010A Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2011 and on each July 1 and January 1 thereafter) at the rates set forth on the cover page of this Official Statement.

The Series 2010A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2010A 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 2010A 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 2010A Bonds are not registered in the name of DTC or its nominee, Cede & Co., the principal and Redemption Price of the Series 2010A 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.

For a more complete description of the Series 2010A Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2010A Bonds are subject to redemption, and to purchase in lieu of redemption, as described below.

Optional Redemption

The Series 2010A Bonds are subject to optional redemption prior to maturity at the election of the University, on or after July 1, 2020, in any order, in whole or in part at any time, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Redemption

The Series 2010A Bonds are subject to redemption, in part, through application of Sinking Fund Installments upon notice given as prescribed in the Resolution, at a Redemption Price equal to 100% of the principal amount of Series 2010A Bonds to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the Series 2010A Bonds of a maturity to be so redeemed are then Outstanding and, subject to the provisions of the Resolution permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there shall

be due and the Authority shall be required to pay for the retirement of the Series 2010A Bonds on July 1 of each of the years set forth in the following table, the amount set forth opposite such year:

Series 2010A Bonds		Series 2010A Bonds	
Bearing Interest at 4.00%		Bearing Interest at 5.00%	
<u>Maturing July 1, 2032</u>		<u>Maturing July 1, 2032</u>	
2031	\$8,000,000	2031	\$14,790,000
2032	8,210,000 †	2032	15,640,000 †
Series 2010A Bonds		Series 2010A Bonds	
<u>Maturing July 1, 2035</u>		<u>Maturing July 1, 2040</u>	
2033	\$24,960,000	2036	\$28,895,000
2034	26,210,000	2037	30,340,000
2035	27,520,000 †	2038	31,860,000
		2039	33,450,000
		2040	35,125,000 †

† Final maturity.

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2010A Bonds entitled to such Sinking Fund Installment (A) purchased with moneys in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of the Authority, (C) purchased by the University or the Authority and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2010A Bonds purchased with moneys in the Debt Service Fund will be applied in satisfaction of a required Sinking Fund Installment of the Series 2010A Bonds in accordance with the Resolution. Series 2010A Bonds redeemed at the option of the Authority, purchased by the Authority or the University (other than from amounts on deposit in the Debt Service Fund) or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as the Authority may direct in its discretion. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2010A Bonds of the maturity so purchased will be reduced for such year.

Purchase in Lieu of Optional Redemption

The Series 2010A Bonds are also subject to purchase in lieu of optional redemption prior to maturity at the election of the University, on or after July 1, 2020, in any order, in whole or in part at any time, at a price of 100% of the principal amount thereof (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date").

Special Redemption

The Series 2010A Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part on any interest payment date, at 100% of the principal amount thereof 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 Project to which such proceeds relate, and (ii) from unexpended proceeds of the Series 2010A Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Selection of Bonds to be Redeemed

In the case of redemptions of less than all of the Series 2010A Bonds, other than mandatory redemptions, the Authority will select the maturities of the Series 2010A Bonds to be redeemed. If less than all of the Series 2010A Bonds of a maturity are to be redeemed, the Series 2010A Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2010A Bonds in the name of the Authority, by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the redemption date to the

registered owners of any Series 2010A Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than ten Business Days prior to the date such notice is given. Each notice of redemption will state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of sufficient moneys to pay the Redemption Price of the Series 2010A Bonds to be redeemed. The failure of any owner of a Series 2010A Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2010A Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee will publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 60 days prior to the redemption date, but publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2010A Bonds.

If on the redemption date moneys for the redemption of the Series 2010A Bonds 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 2010A Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2010A Bonds will no longer be considered to be Outstanding.

Notice of Purchase in Lieu of Redemption and its Effect

Notice of purchase of the Series 2010A Bonds will be given in the name of the University to the registered owners of the Series 2010A Bonds to be purchased by first-class mail, postage prepaid, not less than 15 days prior to the Purchase Date specified in such notice. The Series 2010A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2010A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2010A Bonds are called for purchase in lieu of an optional redemption, such purchase will not extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2010A Bonds. Such Series 2010A Bonds need not be cancelled, and will remain Outstanding under the Resolution and continue to bear interest.

The University's obligation to purchase a Series 2010A Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2010A 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 2010A Bonds to be purchased, the former registered owners of such Series 2010A Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2010A 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 2010A Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2010A Bonds of a maturity are to be purchased, the Series 2010A Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2010A Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2010A Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution." Also see "Book-Entry Only System" below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2010A Bonds when the Book-Entry Only System is in effect.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Series 2010A Bonds. The Series 2010A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010A Bond certificate will be issued for each maturity of the Series 2010A Bonds, totaling in the aggregate the principal amount of the Series 2010A Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset

servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010A 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, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010A 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 2010A Bonds, except in the event that use of the book-entry system for such Series 2010A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2010A 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 2010A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to DTC. If less than all of the Series 2010A Bonds within a maturity of the Series 2010A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2010A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee,

disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2010A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2010A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2010A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been furnished by DTC. The Authority believes that this information is reliable, but makes no representations or warranties as to the accuracy or completeness thereof.

NEITHER THE AUTHORITY, THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2010A BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2010A 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 2010A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2010A BONDS; OR (VI) ANY OTHER MATTER.

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Principal and Interest Requirements

The following table sets forth the amounts, after giving effect to the issuance of the Series 2010A Bonds, required to be paid by the University during each twelve month period ending June 30 of the Bond Years shown for the payment of the principal of and interest on the Series 2010A Bonds, debt service on other outstanding indebtedness of the University and the total debt service on all indebtedness of the University, including the Series 2010A Bonds. See “PART 6 - THE UNIVERSITY - Indebtedness.”

Debt Service on University Indebtedness

<u>Series 2010A Bonds</u>					
<u>12 Month Period Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Debt Service on the Series 2010A Bonds</u>	<u>Debt Service on Other Outstanding Indebtedness</u> ⁽¹⁾⁽²⁾	<u>Total Debt Service</u> ⁽¹⁾⁽²⁾
2010	-	-	-	\$ 82,999,613	\$ 82,999,613
2011	-	\$14,948,827	\$14,948,827	99,819,945	114,768,772
2012	-	14,087,900	14,087,900	104,758,247	118,846,147
2013	-	14,087,900	14,087,900	102,436,007	116,523,907
2014	-	14,087,900	14,087,900	351,093,048	365,180,948
2015	-	14,087,900	14,087,900	98,655,441	112,743,341
2016	-	14,087,900	14,087,900	82,760,730	96,848,630
2017	-	14,087,900	14,087,900	82,826,815	96,914,715
2018	-	14,087,900	14,087,900	82,892,053	96,979,953
2019	-	14,087,900	14,087,900	332,923,701	347,011,601
2020	-	14,087,900	14,087,900	68,614,378	82,702,278
2021	-	14,087,900	14,087,900	68,756,151	82,844,051
2022	-	14,087,900	14,087,900	68,813,417	82,901,317
2023	-	14,087,900	14,087,900	68,865,387	82,953,287
2024	-	14,087,900	14,087,900	68,912,617	83,000,517
2025	-	14,087,900	14,087,900	68,993,922	83,081,822
2026	-	14,087,900	14,087,900	64,263,609	78,351,509
2027	-	14,087,900	14,087,900	64,305,068	78,392,968
2028	-	14,087,900	14,087,900	64,380,686	78,468,586
2029	-	14,087,900	14,087,900	64,553,280	78,641,180
2030	-	14,087,900	14,087,900	59,898,046	73,985,946
2031	\$22,790,000	14,087,900	36,877,900	51,914,419	88,792,319
2032	23,850,000	13,028,400	36,878,400	52,079,413	88,957,813
2033	24,960,000	11,918,000	36,878,000	52,217,747	89,095,747
2034	26,210,000	10,670,000	36,880,000	46,696,377	83,576,377
2035	27,520,000	9,359,500	36,879,500	46,959,368	83,838,868
2036	28,895,000	7,983,500	36,878,500	34,333,096	71,211,596
2037	30,340,000	6,538,750	36,878,750	34,482,390	71,361,140
2038	31,860,000	5,021,750	36,881,750	20,385,250	57,267,000
2039	33,450,000	3,428,750	36,878,750	20,385,750	57,264,500
2040	35,125,000	1,756,250	36,881,250	-	36,881,250

(1) For the purpose of this table, variable interest rates for approximately \$271 million of other debt, where the interest rate has been hedged with interest rate swaps, are assumed at the applicable fixed swap rates of 3.51% to 4.63%. In addition, variable interest rates on \$70.2 million of the Series 2000A and Series 2002B Bonds are hedged with interest rate swaps expiring prior to the final maturity at the applicable fixed swap rates of 2.99% to 4.33% through the term of the swaps. The remaining portion of unhedged debt is assumed at a rate of 3.50% until maturity of such bonds. Further, the University expects to convert approximately \$70 million of additional hedged variable rate debt to fixed rate debt before the end of the University’s current fiscal year, but the interest rate and amortization schedule for such fixed rate debt has not yet been determined and will depend, in part, on market conditions on the conversion date. Therefore, the debt service payable on such debt has been calculated based on the existing amortization schedules and the relevant fixed swap rates.

(2) This table excludes any debt outstanding under the \$200 million authorized tax-exempt commercial paper program and the \$200 million taxable commercial paper program.

PART 4 - THE 2010A PROJECT

The University expects to use the majority of proceeds from the Series 2010A Bonds to finance a portion of the costs of constructing a medical research building (the “Medical Research Building”) located on East 69th Street across York Avenue from the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences of Cornell University in New York City. The approximately 480,000 gross square foot facility will include 18 floors above ground and three floors below grade. In addition to the Medical Research Building, the 2010A Project consists of various construction and renovation projects located throughout the University’s campus in Ithaca, New York, and at the New York City Weill Medical College campus.

PART 5 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds	
Principal Amount of the Series 2010A Bonds	\$285,000,000
Net Original Issue Premium.....	<u>16,560,097</u>
 Total Sources of Funds	 <u><u>\$301,560,097</u></u>
 Uses of Funds	
Deposit to the Construction Fund	\$218,035,984
Refinancing of Taxable Commercial Paper Notes	50,000,000
Capitalized Interest	29,036,727
Costs of Issuance (Including State Bond Issuance Charge).....	2,954,147
Underwriters’ Discount.....	<u>1,533,239</u>
 Total Uses of Funds	 <u><u>\$301,560,097</u></u>

PART 6 - THE UNIVERSITY

GENERAL INFORMATION

Introduction

Cornell University (“Cornell” or the “University”) is a private, not-for-profit, co-educational, nonsectarian institution of higher learning chartered and operated under the laws of the State of New York (the “State”). Cornell was founded by Ezra Cornell whose original endowment was augmented by a substantial land grant from the State of New York received under the Federal Land Grant (Morrill) Act of 1862. The University is comprised of six privately funded schools and colleges located in Ithaca, New York (the “Endowed Colleges”), four State-supported schools located in Ithaca, New York (the “Contract Colleges”), and the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences of Cornell University located in New York City (the “Medical College”). During the fall of 2009, approximately 13,900 undergraduate students and 7,600 graduate and professional students were enrolled in the University.

In addition to the academic programs of the University located at its main campus in Ithaca, New York and in New York City, extension services and research are carried out throughout New York State and in many countries around the world. The Medical College also has a teaching facility in Doha, Qatar. Cornell’s land holdings, as of December 2009, comprise approximately 11,175 tax-exempt and 371 taxable acres in Tompkins County, New York; approximately 6,181 tax-exempt and 76 taxable acres in other areas of the State; and 1,500 taxable acres

outside the State. As of October, 2009, the physical plant at Cornell's campus in Tompkins County includes 742 buildings; and the physical plant at Cornell's Medical College campus in New York City includes approximately 47 buildings. The University also owns approximately 83 buildings at the Agricultural Experiment Station in Geneva, New York.

The privately funded Endowed Colleges in Ithaca are the College of Architecture, Art and Planning; the College of Arts and Sciences; the College of Engineering; the School of Hotel Administration; the Law School; and the Samuel Curtis Johnson Graduate School of Management. The Medical College in New York City is the academic and teaching component of the New York Presbyterian Hospital-Cornell Medical Center.

The four State-supported Contract Colleges are operated by the University on behalf of the State pursuant to statute or contractual agreements under general supervision of the trustees of the State University of New York ("SUNY"). The annual State appropriations for the Contract Colleges and income generated by their operation (other than the portion of tuition remitted to SUNY) are restricted to their exclusive use. The Contract Colleges are the College of Agriculture and Life Sciences; the College of Human Ecology; the School of Industrial and Labor Relations; and the College of Veterinary Medicine. The New York State Agricultural Experiment Station at Geneva is a unit of the College of Agriculture and Life Sciences and its departments are integral parts of the University.

In 1865, the State Legislature designated Cornell as the State's land grant institution under the Morrill Act of 1862. Although a private institution, Cornell's Board of Trustees includes public representatives, consonant with its land grant status. As units of the State land grant institution, Cornell's four Contract Colleges have been assigned by State legislation specific responsibilities in research and cooperative extension directed to State needs. These very specific statutory objectives in research and cooperative extension do not exist for other units of the SUNY system.

Cornell's academic programs offer students the opportunity to pursue studies in the arts, sciences, humanities, human and veterinary medicine, law, engineering, agriculture, architecture, planning, human ecology, hotel administration, industrial and labor relations, and management. Undergraduate students may work toward the Bachelor of Architecture, Bachelor of Arts, Bachelor of Fine Arts or Bachelor of Science degree. Graduate programs award degrees at the Master's, Professional Master's and Doctoral level. Professional degrees are offered in the fields of law, management, medicine and veterinary medicine.

Cornell is accredited by the Middle States Association of Colleges and Secondary Schools and the Medical College is also accredited by the Liaison Committee for Medical Education for the American Medical Association and the Association of American Medical Colleges. Other programs of the University are accredited by appropriate education accrediting associations.

Cornell's research programs are broadly based, including disciplines of engineering and physical sciences, life and agricultural sciences, social sciences and humanities and medical sciences. Many national centers, which have the mission to serve the research needs of investigators nationally and, in some cases, internationally, are located at Cornell.

The Cornell University Library ("CUL") includes over 7.7 million volumes, 104,000 sound recordings, 253,000 maps, 99,000 graphic, film and video items, 9,000 computer files, 73,000 cubic feet of manuscripts, and 8.5 million microforms. It also owns or provides access to an estimated 94,000 current print and electronic serial titles, some 518,000 e-books, 12,000 e-maps, databases and other e-resources, and 48 locally created/maintained digital collections. Cornell is a partner in the Google digitization project and more than 95,000 volumes were digitized in 2008/2009; at least 500,000 are expected to be digitized by 2013. Cornell is a member of the Online Computer Library Center, the Association of Research Libraries, the Center for Research Libraries, the Digital Library Federation, the Council on Library and Information Resources, the Coalition for Networked Information, the North East Research Libraries Consortium and the South Central Regional Library Council.

Contract Colleges

The four Contract Colleges enroll approximately 34% of the student body and account for approximately 26% of the sponsored research work of the University and 35% of total research expenditures of the University. The cost of construction and acquisition for certain Contract College facilities was borne primarily by the State.

State operating and capital contributions provide significant financial support to the integrated academic and research program of the University as well as general campus overhead costs. Total funding from all sources

(tuition, State, Federal, gifts, etc.), for the operations of the Contract Colleges amounted to approximately \$665 million for the year ended June 30, 2009. The State appropriations for operation of the Contract Colleges received through SUNY of approximately \$162 million for 2008-09 represent about 24% of the 2008-09 operating budget for the Contract Colleges. State operating budget appropriations are received as part of the SUNY appropriation budget and are based on negotiation with SUNY and the New York State Department of Budget. In addition to the direct operating budget appropriation received through SUNY, State funds (which do not appear in Cornell's budget) also support employee benefits and debt service on bonds used to finance certain Contract College facilities. Future State support for the Contract Colleges is dependent on the enactment of annual appropriations by the State and the willingness and ability of the State and SUNY to provide such payments. In the event that future State support for the Contract Colleges is below historical levels, the University may be required to increase tuition charges and/or decrease expenditures at the Contract Colleges. See "Tuition and Other Student Charges" below.

Cornell's four Contract Colleges have been assigned by State legislation specific responsibilities in research and extension directed to State needs. The specialized missions of the Contract Colleges, as set forth in the State Education Law, are included in the Cornell Charter. As units of Cornell most directly involved in the delivery of the University's overall land grant mission, the Contract Colleges administer the Agricultural Experiment Stations at Geneva and Ithaca, New York, which receive research funding under the federal Hatch Act, along with the Cornell Cooperative Extension System which receives support under the federal Smith-Lever Act. The School of Industrial and Labor Relations operates an extension division with regional offices across the State, providing services and programs to workers, management and unions. The College of Veterinary Medicine runs the State's only Veterinary Teaching Hospital and Medical Center. These colleges also operate a number of major contract programs for State agencies other than SUNY, including the State's Animal Diseases Diagnostic Laboratories for the Department of Agriculture and Markets, the State's Equine Drug Testing Program for the Racing and Wagering Board, an Integrated Pest Management Program for the Department of Agriculture and Markets, Child Protective Services Training for the Department of Social Services, and conduct public policy analyses for the State such as the impact of managed care on Workers' Compensation programs and costs.

Governance

Cornell is governed by a 64-member Board of Trustees (the "Board") which meets four times a year. The Board includes: 43 members elected by the Board for staggered terms of four years each; eight members elected by alumni for staggered terms of four years each; two members elected by faculty for terms of four years each; two members elected by students for terms of two years each; one member elected by employees for a term of four years and three members appointed by the Governor for terms of three years. There are four ex-officio trustees who serve during their respective terms of office: the Governor of the State of New York; the President Pro Tempore of the New York State Senate; the Speaker of the New York State Assembly and the President of the University. In addition, the eldest lineal descendant of Ezra Cornell serves as trustee for life. The Board is as follows:

CORNELL UNIVERSITY BOARD OF TRUSTEES 2009-10

<u>Trustee</u>	<u>Affiliation</u>	<u>Board Position</u>
PETER C. MEINIG	Chairman and Chief Executive Officer HM International, Inc.	Chairman
DIANA M. DANIELS	Former Vice President, General Counsel and Secretary The Washington Post Company	Vice Chairman
ROBERT J. KATZ*	Senior Director, Goldman, Sachs & Co.	Vice Chairman
DAVID W. ZALAZNICK	Chairman, Jordan/Zalaznick Advisors, Inc.	Vice Chairman
JAN ROCK ZUBROW	President, MedCapital, LLC	Vice Chairman
DAVID J. SKORTON	President, Cornell University	Ex-Officio

*Goldman, Sachs & Co. is a member of the underwriting syndicate for the Series 2010A Bonds. The University believes that the participation of Goldman Sachs in the offering is on terms no less favorable to the University than could be obtained from other parties.

ACTIVE TRUSTEES
as of July 1, 2009

ELIZABETH J. ALTMAN, Vice President, Business Development, Motorola Mobile Devices
STEPHEN B. ASHLEY, Chairman and Chief Executive Officer, The Ashley Group
ROSEMARY J. AVERY, Professor and Department Chair, Policy Analysis and Management, Cornell University
JESSICA M. BIBLIOWICZ, Chairman, President, and Chief Executive Officer, National Financial Partners
C. MORTON BISHOP, President, Pendleton Woolen Mills
FRANCI J. BLASSBERG, Partner, Debevoise & Plimpton
SAMUEL W. BODMAN III, Former United States Secretary for Energy
RICHARD L. BOOTH, Managing Director and Partner, HBK Capital Management
KELLY J. BROWN, Former Marketing Director, Proctor and Gamble
DWIGHT L. BUSH, Former President and Chief Executive Officer, Urban Trust Bank
RONNI S. CHERNOFF, Associate Director, GRECC, Central AR Veterans Healthcare System
EZRA CORNELL, President, Cornell Pochily
ASA J. CRAIG, Student, Cornell University
DAVID D. CROLL, Managing Partner, MC Venture Partners
IRA DRUKIER, Co-Owner, BD Hotels, LLC
WILLIAM V. EATON, Principal and President, Cini-Little International, Inc.
RONALD G. EHRENBERG, Professor, ILR Labor Economics, Cornell University
STEPHEN J. ETTINGER DVM, Medical Director, California Animal Hospital Veterinary Specialty Group
DAVID R. FISHELL, Chief Executive Officer, Angel Medical Systems
CHERYL A. FRANCIS, Co-Chairman, Corporate Leadership Center
BLANCHE SAVIN GOLDENBERG, Retired Chairman, The Hartford Foundation for Public Giving
KENNETH A. GOLDMAN, Chief Financial Officer, Fortinet
PAUL A. GOULD, Managing Director, Allen & Company
PATRICIA E. HARRIS, First Deputy Mayor, The City of New York
ROBERT S. HARRISON, Chief Executive Officer, Clinton Global Initiative, William J. Clinton Foundation
DENIS M. HUGHES, President, New York State AFL-CIO
MARCUS H. LOO, Medical Doctor, New York
RONALD D. MCCRAY, Former Vice President and Chief Compliance Officer, Nike, Inc.
BETH MCKINNEY, Director, CU Wellness Program, Cornell University
HOWARD P. MILSTEIN, Chairman, President, & Chief Executive Officer, New York Private Bank & Trust
ELIZABETH D. MOORE, General Counsel, Consolidated Edison Company of New York, Inc.
N.R. NARAYANA MURTHY, Chairman of the Board and Chief Mentor, Infosys Technologies Ltd.
JOHN A. NOBLE, President, Noblehurst Farms, Inc.
PETER J. NOLAN, Managing Partner, Leonard Green & Partners, L.P.
LUBNA SULIMAN OLAYAN, Chief Executive Officer, Olayan Financing Corporation
ARMANDO J. OLIVERA, President, Florida Power & Light Company
DONALD C. OPATRNY*, Retired Advisory Director, The Goldman Sachs Group Inc.
DAVID PATERSON, Governor of New York State
WILLIAM D. PEREZ, Former President and Chief Executive Officer, Wm. Wrigley Jr. Company
BRUCE S. RAYNOR, President, Workers United Union
PHILIP R. REILLY, Venture Partner, Third Rock Venture
IRENE B. ROSENFELD, Chairman and Chief Executive Officer, Kraft Foods
JEROLD R. RUDERMAN, Former Regional Managing Partner, Wilson, Elser, Moskowitz, Edelman & Dicker
ROBERT L. RYAN, Former Senior Vice President and Chief Financial Officer, Medtronic, Inc.
PAUL A. SALVATORE, Partner and Co-chair, Proskauer Rose, LLP
SHELDON SILVER, Speaker of the New York State Assembly
MALCOM A. SMITH, President Pro Tempore, New York State Senate
SHERRI KOENIG STUEWER, V.P., Safety, Health & Environment, Exxon Mobil Corp.

*Goldman, Sachs & Co. is a member of the underwriting syndicate for the Series 2010A Bonds. The University believes that the participation of Goldman Sachs in the offering is on terms no less favorable to the University than could be obtained from other parties.

MARTIN Y. TANG, Chairman, Asia, Spencer Stuart HK
 RATAN N. TATA, Chairman, Tata Sons Limited
 LISA SKEETE TATUM, General Partner, Cardinal Partners
 ANDREW H. TISCH, Chairman of the Board, Loews Corporation
 M. EILEEN MCMANUS WALKER, Former Human Resources Executive, IBM
 MICHAEL J. WALSH, PhD Candidate, Biological and Environmental Engineering, Cornell University
 BARTON J. WINOKUR, Chairman and Chief Executive Officer, Dechert LLP
 SHERYL WuDUNN, Former Vice President, Private Wealth Management, Goldman Sachs
 CRAIG YUNKER, Managing Member, CY Farms/Batavia Turf
 MICHAEL J. ZAK, General Partner, Charles River Ventures

The Board also has the following ten standing committees: Executive, Board Membership, Academic Affairs, Student Life, Investment, Audit, Finance, Buildings and Properties, Governmental Relations, and Alumni Affairs and Development.

Administration

The President of Cornell, as chief executive officer, is charged with the principal responsibility for administration of the University. The Board elects all officers of Cornell, some of whom include:

<u>Name</u>	<u>Position</u>
David J. Skorton	President
W. Kent Fuchs	Provost
Antonio M. Gotto, Jr.	Provost for Medical Affairs
James J. Mingle	University Counsel and Secretary of the Corporation
Joanne M. DeStefano	Vice President for Finance and Chief Financial Officer

Brief biographies for each of the above listed officers follow:

DAVID J. SKORTON became Cornell's 12th President on July 1, 2006. He holds faculty appointments at the rank of professor in the Departments of Medicine and Pediatrics at Weill Cornell Medical College in New York City, and the Department of Biomedical Engineering on Cornell's Ithaca campus. He is also chair of the Business–Higher Education Forum; life member of the Council on Foreign Relations; co-chair of the advisory board for the Africa-U.S. Higher Education Initiative; member of the National Advisory Council of the National Institute of Biomedical Imaging and Bioengineering of the National Institutes of Health; Master of the American College of Cardiology; former chair of the Task Force on Diversifying the New York State Economy through Industry–Higher Education Partnerships; and member of the advisory board for the *10,000 Small Businesses* initiative. He earned his bachelor's degree in psychology in 1970 and an M.D. in 1974, both from Northwestern University. Following a medical residency and cardiology fellowship at the University of California, Los Angeles, he joined the faculty of the University of Iowa in 1980, serving 26 years as a faculty member and administrator, including as university president from March 2003 until June 2006.

W. KENT FUCHS was appointed as Cornell's Provost effective January 1, 2009. He served as the Joseph Silbert Dean of Engineering from 2002-2008. He was formerly the head of the School of Electrical and Computer Engineering and the Michael J. and Catherine R. Birck Distinguished Professor at Purdue University, 1996-2002. Prior to that appointment, he was a professor in the Department of Electrical and Computer Engineering and the Coordinated Science Laboratory, University of Illinois, 1985-1996. His research interests focus on computer engineering, particularly, dependable computing and failure diagnosis. He is a fellow of the Institute of Electrical and Electronics Engineers ("IEEE") and the Association for Computing Machinery ("ACM"). He has over 185 publications and has served as the thesis advisor for 22 Ph.D. students and 35 M.S. students. He has received awards for both teaching and research. Fuchs received a B.S.E. degree from Duke University, M. Div. Degree from Trinity Evangelical Divinity School, and a Ph.D. in electrical engineering from the University of Illinois.

ANTONIO M. GOTTO, JR., M.D., D.Phil, the Stephen and Suzanne Weiss Dean of the Weill Cornell Medical College and Provost for Medical Affairs since January 1, 1997, received a B.A. in 1961 from the University of Oxford, where he was a Rhodes Scholar, and his M.D. in 1965 from Vanderbilt University School of Medicine. Dr. Gotto spent over two decades at Baylor College of Medicine in Houston, Texas, where he was the Bob and Vivian

Smith Professor and Chairman of the Margaret M. and Albert B. Alkek Department of Medicine and the Chief of the Internal Medicine Service at the Methodist Hospital in Houston, Texas. During that time, he also held the J.S. Abercrombie Professor Chair for Atherosclerosis and Lipoprotein Research and was the Scientific Director of The DeBakey Heart Center at Baylor. Dr. Gotto has served as National President of the American Heart Association, as a member of the National Heart, Lung and Blood Advisory Council on the National Diabetes Advisory Board, and as President of the International Atherosclerosis Society. He is a member of the National Institute of Medicine and the National Academy of Sciences.

JAMES J. MINGLE is the Cornell University Counsel and Secretary of the Corporation. Previously, he was head of the Educational Affairs Division of the Maryland Attorney General's Office, where he served as chief counsel to the University of Maryland, the Maryland State Universities and Colleges, and Maryland Public Television. In 1989, Mr. Mingle was appointed General Counsel of the University of Virginia and served in that role until 1995 when he joined Cornell. He has held adjunct professor positions at the Law Schools of the University of Virginia and the University of Maryland, and currently at Cornell Law School where he teaches a seminar on "Law and Higher Education." Mr. Mingle received his Bachelor of Arts degree in English from St. Joseph's College (Philadelphia) and his Juris Doctor degree from the University of Virginia. He is admitted to practice in New York, Virginia, and Maryland. He also serves as a Cornell-appointed member on the Joint Advisory Board for the Weill Medical College of Cornell University in Qatar.

JOANNE M. DESTEFANO is Cornell's Vice President for Finance and Chief Financial Officer and is responsible for directing business, financial and informational services in support of academic programs. As part of this responsibility, Ms. DeStefano has custody and control of the University's funds and has general responsibility for the maintenance of financial records of the University. Ms. DeStefano holds a B.S. from Syracuse University (1978, Accounting), and an MBA from Cornell University (1997, Finance). She came to Cornell in 1990 as General Accounting Manager for the Contract Colleges and has since held a number of progressively responsible roles in the finance division, including Associate Controller, Vice President for Finance and Controller from 2001-2008, and Vice President for Finance and Chief Financial Officer as of July 1, 2008. Prior to joining the University, Ms. DeStefano worked as the Controller for Racemark International, Inc., and as accounting manager for Schlumberger, Inc.

Financial Management

Cornell consists of three major organizational units: Endowed Ithaca, which includes the Endowed Colleges, the central University administration, and the enterprise and service operations for the Ithaca campus; the Contract Colleges at Ithaca; and the Medical College in New York City. These three units are subject to the common administrative authority and control of the Cornell University Board of Trustees, but generally operate as financially discrete entities. The laws establishing the Contract Colleges at Ithaca prohibit other units of the University from using the annual State appropriations attributable to those colleges. Except as specifically required by law, the Contract and Endowed Colleges at Ithaca are, to the extent practicable, governed by common management principles and policies determined at the private discretion of the University. In addition to the three major organizational units, the University's subsidiaries and certain affiliated organizations are included in the consolidated financial statements. All significant intercompany transactions and balances are eliminated in the consolidated financial statements included in "Appendix B – Financial Statements of Cornell University (With Independent Auditors' Report Thereon)."

Cornell's operating and capital budget is approved by the Board of Trustees in May of each year and is developed through the following process:

The development of the operating budget begins in the fall with individual operating units and the University as a whole setting basic priorities and income estimates which are then reviewed and refined and become the basis for the development of unit budget plans in the spring. For the Contract Colleges, a budget submission is typically made to the State University of New York (SUNY) in the fall in accordance with SUNY budget planning processes. Major University planning assumptions such as tuition rates, housing and dining rates, and endowment payout are approved by the Board of Trustees in January. The Chief Financial Officer reviews the planning assumptions prior to Trustee action. Unit-level budget planning assumptions and guidelines are typically distributed in February and operating units complete their budget planning by April. The amount of State funding appropriated for the Contract College is established through the State budget process. Preliminary State appropriation estimates are typically announced in late January as part of or subsequent to the Governor presenting a proposed budget to the State

legislature. Final State appropriations are not determined until the enactment of a final State budget (State fiscal year is April 1 – March 31).

Individual operating unit budgets are reviewed and consolidated to establish the overall University operating plan for approval by the Trustees in May. The Chief Financial Officer reviews and approves the final operating budget plan prior to approval by the Trustees. The Medical College budget must first be approved by the Board of Overseers of the Medical College before becoming ratified by the Board of Trustees.

The development and review of capital priorities, costs, and financing of capital projects occurs throughout the year, but the formal development of an annual capital budget begins in the fall with individual operating units submitting capital funding requests and plans. The amount of resources available for capital activity is established on a preliminary basis in January and is finalized by April as the operating budget is finalized. Capital needs are prioritized and a one-year capital budget and five-year capital plan is approved by the Board of Trustees in May.

OPERATING INFORMATION

Application, Admissions and Enrollment

The following table sets forth (a) the number of applications received for admission for full-time freshman enrollment, (b) the number of those applicants accepted, (c) the ratio of acceptances to total applicants, (d) the number of such successful applicants who declared their intentions to enroll and (e) the ratio of entering students to acceptances.

Freshman Admission Statistics

<u>Fall</u>	<u>Total Applications</u>	<u>Acceptances</u>	<u>Acceptance Rate</u>	<u>Number Enrolled</u>	<u>Yield</u>
2005	24,452	6,621	27.1%	3,076	46.5%
2006	28,098	6,935	24.7	3,238	46.7
2007	30,383	6,503	21.4	3,055	47.0
2008	33,073	6,834	20.7	3,183	46.6
2009	34,371	6,564	19.1	3,221	49.1

The University has received a total of 36,145 applications for the fall of 2010. Approximately 18% of those applicants were accepted by the University.

The quality of applicants, as measured by class rank and entrance examination scores, is consistently high. The following table sets forth the percentage of Cornell’s entering freshmen achieving a score of 600 or greater on each component of the Scholastic Aptitude Test (“SAT”) for the past five years. For the most recent class, entering in fall 2009, 86% scored over 600 on the verbal component and 93% scored over 600 on the math component. For fall 2008, 88% of entering freshmen graduated in the top 10% of their high school class (of the 38% who came from schools that report class rank).

Percentage of Entering Freshmen Scoring 600+ on SAT

<u>Fall</u>	<u>Verbal</u>	<u>Math</u>
2005	85%	93%
2006	86	92
2007	87	93
2008	86	93
2009	86	93

The following table sets forth admissions to the Graduate School and Professional Schools for fall 2009.

**Graduate and Professional School Admissions
Fall 2009**

<u>School</u>	<u>Total Applications</u>	<u>Acceptances</u>	<u>Acceptance Rate</u>	<u>Number Enrolled</u>	<u>Yield</u>
Graduate School	15,053	3,740	25%	1,780	48%
Graduate School of Medical Sciences	613	112	18	40	36
Medical College (MD)	5,580	291	5	101	35
Law School	4,207	900	21	205	23
Graduate School of Management	2,454	603	25	315	52
Veterinary School	901	138	15	92	67

The following table includes enrollment figures for the undergraduate, graduate and professional programs in Ithaca, and for the Medical College in New York City.

Enrollment Summary

<u>Fall</u>	<u>Full-Time Undergraduate</u>	<u>Full-Time Graduate/Professional & Medical College</u>	<u>Total Full-Time Enrollment</u>
2005	13,515	6,683	20,198
2006	13,562	6,855	20,417
2007	13,510	7,136	20,646
2008	13,846	7,292	21,138
2009	13,931	7,611	21,542

Cornell attracts a diverse student body with students from every state of the United States and more than 100 foreign countries represented. For the fall of 2009, 29% of students enrolled at the Ithaca campus were from New York State, which is a decrease from 33% since fiscal year 2005. The percentage of international students enrolled increased 1% over the last five years to 17%. The percentage of students, collectively, from the Middle Atlantic States (excluding New York), New England, the Midwest, the West, the South and the Southwest increased 3% over the same five-year period to 54%.

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Tuition and Other Student Charges

The table below indicates tuition rates and student activity fees for undergraduate and graduate students for the major divisions of the University:

Tuition and Other Student Charges Tuition Rates

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
ENDOWED ITHACA					
Undergraduate	\$31,300	\$32,800	\$34,600	\$36,300	\$37,750
Graduate (research)	31,300	32,800	32,800	29,500	29,500
Graduate (professional)	31,300	32,800	34,600	36,300	37,750
Graduate School of Mgt (entering)	36,350	38,800	42,700	44,950	47,150
Graduate School of Mgt (continuing)	36,350	38,800	40,700	44,950	46,700
Law School (entering)	37,750	40,580	43,620	46,670	48,950
Law School (second)	37,000	39,640	42,710	45,800	48,950
Law School (third)	36,280	38,850	41,720	44,850	48,050
ENDOWED NEW YORK CITY					
Medical College (entering)	32,320	33,775	39,180	41,730	44,650
Medical College (continuing)	32,320	33,775	35,465	37,240	39,100
Graduate Medical College	23,600	24,660	25,647	27,157	27,830
CONTRACT COLLEGES					
Undergraduate:					
Resident	17,200	18,060	19,110	20,160	21,610
Non-resident (Entering Students)	30,200	31,700	33,500	35,200	37,750
Non-resident (Continuing Students Yr 2-3)	30,200	31,700	33,500	35,200	37,750
Non-resident (Continuing Students Yr 4)	29,000	30,500	33,500	35,200	37,750
Graduate:					
Non-Veterinary (research)	19,300	20,800	20,800	20,800	20,800
Non-Veterinary (professional - resident)	17,200	18,060	22,600	23,750	24,700
Non-Veterinary (professional – non-resident)	30,200	31,700	33,500	23,750	24,700
Veterinary Medicine:					
Resident (D.V.M.)	22,000	23,000	24,000	25,100	26,500
Non-resident (D.V.M.)	31,500	33,000	35,000	37,100	39,500
Graduate (Masters, Ph.D.)	19,300	20,800	20,800	20,800	20,800

In addition to tuition, students on the Ithaca campus pay an annual activity fee (approximately \$204 for undergraduate students and \$70 for graduate and professional students for 2009-10) and students in the Medical College pay a health service fee (\$1,300 for 2009-10). There are several room and board plans. The average cost for room and board for 2009-10 is \$12,110.

Financial Aid

Students receive assistance from various sources, which include University funds, State and federal financial aid programs, and other awards from outside sources. Cornell recently reaffirmed its policy of making admissions decisions without regard to the ability of students or parents to pay educational costs.

For the academic year 2008-09, approximately 60% of all Cornell undergraduates received some form of financial assistance. Approximately 52% were provided need-based financial aid, which amounted to \$187.7 million from all sources, in the form of grant aid, loans and jobs.

The following table provides a breakdown of the sources from which undergraduate need-based scholarship and grant aid has been provided over the last five academic years:

**Sources of Undergraduate Aid
(In Thousands)**

Academic Year	Cornell Aid	State Aid	Federal Aid	Outside Awards	Total
2004-05	\$104,901	\$5,499	\$43,134	\$8,148	\$161,682
2005-06	109,489	5,362	41,722	7,707	164,280
2006-07	115,677	5,221	40,499	7,758	169,155
2007-08	117,065	4,969	40,633	7,337	170,004
2008-09	145,474	5,322	29,460	7,480	187,736

In addition to the amounts described above, need-based financial assistance to undergraduate students for academic year 2008-09 included various loan programs (\$16.2 million) and jobs (\$7.6 million).

In fiscal year 2009-10, the University enhanced the financial aid initiative from the prior year with the elimination of parental contribution for students from families with income below \$60,000 and assets below \$100,000 and capped annual loans at \$7,000 annually for students from families with income above \$120,000. In addition, the University will reduce parental contributions for selected students who have annual income above \$60,000. Beginning in fiscal year 2010, the University approved an additional \$35 million annual draw from the University endowment to support the financial aid programs.

Faculty

The Cornell faculty includes leading scientists and scholars in hundreds of disciplines from many parts of the United States and abroad. Faculty members include Nobel Laureates, Pulitzer Prize winners, National Medal of Science winners, as well as other national award recipients. The resident faculty (exclusive of the Medical College), 99% of which held doctorates, first professional, or terminal professional degrees in academic year 2009-10, is supplemented each year by visiting scholars and lecturers from around the world.

In academic year 2009-10, Ithaca campus faculty totaled 1,606 and the Medical College faculty for academic year 2009-10 totaled 1,161. The following table sets forth the faculty profile for the last five academic years, including acting appointments but excluding faculty at the Medical College and courtesy, visiting, adjunct, emeritus, Health Services and ROTC appointments.

Faculty Profile

Academic Year	Full-Time Faculty	Part-Time Faculty	Total Faculty	Percent of Total Faculty Tenured
2005-06	1,515	79	1,594	77%
2006-07	1,548	79	1,627	76
2007-08	1,549	88	1,637	76
2008-09	1,557	82	1,639	77
2009-10	1,524	82	1,606	79

Employee Relations

Cornell University has collective bargaining agreements with seven unions covering approximately 1,352 of its 3,590 non-exempt regular full-time and 433 non-exempt regular part-time employees. The contracts are with the Building Trades Council (June 2010), the Communication Workers of America (March 2013), the International Union of Operating Engineers (March 2014), the Cornell University Police Union (June 30, 2014), the United Auto Workers (June 2012), the Security, Police and Fire Professionals of America (September 2011) and the Cornell Adjunct Faculty Alliance (June 2010 – currently being negotiated).

ANNUAL FINANCIAL STATEMENT INFORMATION

Financial Position

As of June 30, 2009, Cornell's total assets were \$9.09 billion, liabilities were \$3.02 billion, and Cornell's net assets were \$6.07 billion. The assets were dominated by investments of \$5.07 billion, and land, buildings, and equipment of \$2.85 billion. The \$5.07 billion of investments was primarily \$4.0 billion of endowment and similar funds. The \$2.85 billion of land, buildings, and equipment was net of \$1.76 billion of accumulated depreciation. Receivables from various kinds of government agencies, patients of the faculty practice plan at the Medical College, students (including amounts loaned to present and former students), donor contributions and others were \$810 million, with funds held in trust by others, collateral for securities loaned, inventories and deferred expenses making up the balance of the assets.

Following is a summary of Assets, Liabilities and Net Assets as of June 30, for the fiscal years 2006 through 2009.

Assets, Liabilities, and Net Assets				
June 30,				
(In Thousands)				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assets				
Cash and cash equivalents	\$ 23,089	\$ 27,569	\$ 41,279	\$ 193,739
Collateral for securities loaned	232,455	346,804	215,854	24,970
Accounts receivable, net	209,125	247,965	276,891	314,494
Contributions receivable, net	335,625	495,910	666,817	425,375
Inventories and prepaid expenses	62,727	75,176	62,829	51,929
Student loans receivable, net	63,707	64,931	72,284	70,535
Investments	5,260,449	6,369,225	6,549,288	5,073,854
Land, buildings, and equipment, net	2,085,076	2,348,223	2,616,230	2,846,850
Funds held in trust by others	<u>111,752</u>	<u>103,550</u>	<u>105,904</u>	<u>91,514</u>
Total assets	<u>8,384,005</u>	<u>10,079,353</u>	<u>10,607,376</u>	<u>9,093,260</u>
Liabilities				
Accounts payable and accrued expenses	208,066	245,374	306,654	370,099
Payable under security loan agreements	232,455	346,804	215,854	27,408
Deferred revenue and other liabilities	154,417	120,210	299,283	242,409
Obligations under split interest agreements	103,585	125,131	128,540	105,476
Deferred benefits	260,802	374,557	425,038	429,792
Funds held in trust for others	93,404	184,830	147,036	93,652
Bonds and notes payable	702,064	800,107	999,170	1,705,378
Government advances for student loans	<u>43,857</u>	<u>43,875</u>	<u>47,146</u>	<u>46,536</u>
Total liabilities	1,798,650	2,240,888	2,568,721	3,020,750
Net Assets				
Unrestricted	4,351,561	5,303,889	5,129,765	3,186,340
Temporarily restricted	646,190	777,922	919,960	856,515
Permanently restricted	<u>1,587,604</u>	<u>1,756,654</u>	<u>1,988,930</u>	<u>2,029,655</u>
Total net assets	<u>6,585,355</u>	<u>7,838,465</u>	<u>8,038,655</u>	<u>6,072,510</u>
Total liabilities and net assets	<u>\$8,384,005</u>	<u>\$10,079,353</u>	<u>\$10,607,376</u>	<u>\$9,093,260</u>

Annual Operations

In fiscal year 2008-09, revenues supporting general operations were approximately \$2.7 billion of which 5% was for restricted purposes. Net tuition and fees contributed 18% of total operating revenues. State and federal appropriations accounted for 6.8% of unrestricted revenues. Investment earnings distributed contributed 11.5% of operations revenues. Expenses for operating activities approximated \$2.8 billion. The decrease in unrestricted net assets was approximately \$1.94 billion, primarily due to a \$1.8 billion decrease in the value of investments. Permanently restricted net assets increased by approximately \$41 million, largely due to contributions for capital acquisitions.

Since June 30, 2009, there has been no material adverse change in the net assets of the University. In fiscal year 2008-09, the University implemented cost reductions which included the offering of two voluntary retirement

programs and the implementation of a construction pause through June 30, 2009. The University currently plans to go forward with capital projects for which financing has been previously secured or are deemed critical to either the mission of the University or the life and safety of the campus community.

In fiscal year 2009-10, the University continued expenditure reductions with a \$50 million base budget cut and also reduced the endowment distribution to support unit operations by 15% for fiscal year 2009-10. In addition, the University suspended salary improvement programs for faculty and non-bargaining unit staff on the Ithaca campus and reduced capital project activity.

The following is a summary of revenues and other additions and expenses as of June 30, for the years 2006 through 2009 and is derived from the audited financial statements of the University. In fiscal year 2006-07, the University changed the presentation of the financial statements to be more consistent with industry norms and to provide better management information. Such changes had no impact on the University's change in net assets. The financial statements below are displayed in the new format. The following summary should be read in conjunction with the financial statements and the notes for the fiscal year ended June 30, 2009 thereto included herein as Appendix B.

Summary of Revenues and Other Additions and Expenses
June 30,
(In Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operating Revenues				
Tuition and fees	\$ 593,194	\$ 633,387	\$ 669,681	\$ 697,493
Scholarship allowance	<u>(177,999)</u>	<u>(189,225)</u>	<u>(194,071)</u>	<u>(220,522)</u>
Net tuition and fees	415,195	444,162	475,610	476,971
State and federal appropriations ⁽¹⁾	162,839	173,360	190,885	182,371
Grants, contracts and similar agreements				
Direct	394,082	381,003	390,837	430,408
Indirect cost recoveries	122,273	119,837	114,121	127,316
Contributions	271,170	219,136	217,519	94,625
Investment return, distributed	248,388	290,655	280,985	304,111
Medical Physicians' Organization	388,871	438,355	451,497	504,092
Auxiliary enterprises	125,975	134,377	140,993	145,502
Educational activities and other sales and services	<u>310,999</u>	<u>304,861</u>	<u>376,710</u>	<u>388,744</u>
Total operating revenues	2,439,792	2,505,746	2,639,157	2,654,140
Operating Expenses				
Compensation and benefits	1,541,207	1,620,037	1,746,496	1,845,274
Purchased services	116,210	114,785	144,594	124,471
Supplies and general	431,979	440,481	478,041	497,728
Utilities, rents, and taxes	121,544	120,853	138,223	152,941
Interest expense	28,584	30,509	27,784	26,041
Depreciation	<u>128,246</u>	<u>147,639</u>	<u>173,775</u>	<u>178,046</u>
Total operating expenses	<u>2,367,770</u>	<u>2,474,304</u>	<u>2,708,913</u>	<u>2,824,501</u>
Change in net assets from operating activities	72,022	31,442	(69,756)	(170,361)
Nonoperating Revenues				
State and federal appropriations for capital acquisitions	25,547	25,220	55,580	26,896
Grants, contracts and similar agreements for capital acquisitions	15,744	6,805	2,451	0
Contributions for capital acquisitions, trusts and endowments	138,392	321,414	364,690	112,830
Investment return, net of amount distributed	448,164	911,461	(109,754)	(1,811,607)
Change in value of split interest agreements	16,639	12,147	6,892	(22,241)
Pension and postretirement changes other than net periodic costs	0	0	(16,481)	(4,815)
Other	<u>15,573</u>	<u>21,754</u>	<u>(33,432)</u>	<u>(96,847)</u>
Change in net assets from nonoperating activities	660,059	1,298,801	269,946	(1,795,784)
Change in net assets before cumulative effect and effect				
Of adoption of FASB Statement No. 158	732,081	1,330,243	200,190	0
Cumulative effect of change in accounting principal	(17,192)	0	0	0
Effect of adoption of FASB Statement No. 158	<u>0</u>	<u>(77,133)</u>	<u>0</u>	<u>0</u>
Change in net assets	<u>714,889</u>	<u>1,253,110</u>	<u>200,190</u>	<u>(1,966,145)</u>
Total net assets, beginning of year	<u>5,870,466</u>	<u>6,585,355</u>	<u>7,838,465</u>	<u>8,038,655</u>
Total net assets, end of year	<u>\$6,585,355</u>	<u>\$7,838,465</u>	<u>\$8,038,655</u>	<u>\$6,072,510</u>

(1) Includes operating support and capital expenditures for the Contract Colleges.

Independent Auditors

The financial statements as of June 30, 2009 and for the year then ended, included herein as Appendix B have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

Organized Research

According to the most recently published National Science Foundation statistics (FY08), Cornell ranked fifteenth among American universities in terms of total organized research and development expenditures in sciences and engineering and eighteenth in federally financed expenditures. Organized research is defined as those research activities separately budgeted and accounted for, and supported by competitive grants and contracts and non-competitive state and federal appropriations or institutional funds. Among private institutions, Cornell ranked sixth in the nation in total and ninth in federal government supported research and development expenditures for sciences and engineering. Among institutions in New York State, Cornell was first in overall support of organized research. During FY09, total organized research expenditures at Cornell were \$687 million compared to \$668 million in FY08.

In FY09, sponsored research (i.e., research supported by competitive grants and contracts from the federal government, and non-federal sources) accounted for \$507 million of the total expenditures for organized research. Consistent with National Science Foundation reporting guidelines, the University expended \$383 million from the federal government in FY09 compared to \$378 million in FY08. Federal grants and contracts designated for sponsored research contributed the major portion (\$375 million in FY09 and \$368 million in FY08) of these funds, with the University receiving approximately \$308 million from the National Science Foundation and the Department of Health and Human Services. Inasmuch as federally sponsored research is obtained competitively, it may vary from year to year, and no assurance can be given that it will continue at the levels experienced in recent years.

The following table is a five-year summary of federally financed research and development expenditures at Cornell:

Federal Support of Organized Research (In Thousands)

<u>Fiscal Year</u>	<u>Expenditures</u>	<u>Percent of Total Sponsored Research Expenditures</u>
2004-05	\$380,975	81.2%
2005-06	409,850	83.7
2006-07	388,786	79.8
2007-08	368,540	77.2
2008-09	375,118	73.9

State Support for Contract Colleges

In fiscal year 2010, Cornell was advised that the base appropriation allocated to the University through SUNY will be reduced by \$8.2 million (net), bringing the total base appropriation from New York State to approximately \$156.7 million. The Governor's proposed budget for fiscal year 2011 includes additional cuts to SUNY that, when combined with inflationary adjustments, will most likely reduce the base appropriation to Cornell but will not be confirmed until the State budget is enacted.

Investments

The University's Investment Policy for the Long Term Investments ("LTI") is to manage a balanced fund using external managers for domestic and international equity, commodities, and fixed income investments and various partnerships for hedge funds, real estate and private equity. The assets are managed to maximize total return subject to risk constraints. The LTI includes the Long Term Investment Pool ("LTIP") and the Pooled Balances Investment Fund ("PBIF") and a portion of separately invested funds. The University manages its investments through the use of a master fund comprised of four investment groupings that include the LTIP, PBIF, the Life Income Fund Pools and the Separately Invested Portfolio.

The LTIP is a mutual fund-like vehicle used for investing the University's permanently restricted endowment funds, funds functioning as endowment, and other funds not expected to be expended for at least three years. Generally, the investment objective of the pool is to maximize total return (investment income plus market value changes) within established risk parameters. Total investment return includes dividends, interest and realized and unrealized market gains and losses. The LTIP payout is set in advance by the Board of Trustees as part of the budget approval process.

The PBIF is maintained for funds that are expected to be expended within three years and for working capital. The PBIF is divided into two investment vehicles. The working capital portion is invested only in short-term, liquid fixed income instruments. Other PBIF funds are invested substantially similarly to the LTIP. Assets in the PBIF are invested in the same manner as those in the LTIP, with a payout managed by the University Budget Office as directed by the President.

The Life Income Fund Pools consist of donated funds, the income of which is payable to one or more beneficiaries during their lifetime. On the termination of life interests, the principal becomes available for University purposes, and may be restricted by the donor.

The Separately Invested Portfolio consists of several types of funds that, for legal or other reasons, or by request of the donor, could not participate in any of the investment pools. In many cases, the University has a remainder interest in the principal with payments made to others for specified periods of time. In addition, the University has chosen to separately invest certain major expendable funds to maintain liquidity. Each of such funds has separate investment objectives.

The Investment Committee of the Board oversees all investable assets, including the selection of external investment managers, the allocation of investments among managers and any restrictions on the amounts of funds in any type of investment. The Investment Committee delegates authority for day-to-day management, supervision and administration of the funds to the Chief Investment Officer.

The University's portfolio of investment assets as of March 31, 2010 is summarized in the following table:

University Investments at Fair Value

**(Unaudited)
(In Millions)**

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Cash and cash equivalents	\$ 223.4	5%
Domestic equities	301.5	7%
Foreign equities	354.2	8%
Fixed income	1,048.0	23%
Marketable alternative	642.8	14%
Hedged fund	465.2	10%
Private equities	827.2	18%
Real assets	<u>660.8</u>	<u>15%</u>
Total	\$4,523.1*	100%

*Approximately 62% of Long-Term Investments ("LTI") were valued as of March 31, 2010 with the remaining 38% valued as of December 31, 2009. As of March 31, 2010, the LTI represented 81% of the University portfolio of investments.

As of March 31, 2010, the University had \$726 million of its investments in U.S. Treasuries, Aaa-rated federal agency securities, repurchase agreements and money market fund holdings, which may be liquidated on a same-day or next day basis. The amount so invested fluctuates daily, and the University's target allocations and actual allocations are subject to change.

Endowment and Similar Funds

As of June 30, 2009, Cornell's endowment and funds functioning as endowment, not including life income funds, had a fair value of approximately \$4.0 billion. Such amount included approximately \$1.3 billion of funds functioning as endowment on that date. Both the income and principal of funds functioning as endowment are expendable. As of June 30, 2009, approximately 47% of the University endowment was unrestricted, 8% temporarily restricted and 45% permanently restricted. The following is a five-year summary of the endowment and similar funds net asset balances for all divisions of the University. Living trust funds are excluded since the income from living trusts is payable to one or more beneficiaries during their lifetime, and is not available to Cornell. On the termination of life interests, the principal becomes available for University purposes, and may be restricted as to use by the donor.

Fair Value of Endowment and Similar Funds (In Millions)

<u>June 30</u>	Permanently Restricted	Funds	Funds Held	Total
	Endowment and Related Appreciation	Functioning as Endowment	in Trust	Endowment and Similar Funds
2005	\$2,508.3	\$1,215.9	\$135.4	\$3,859.6
2006	2,858.3	1,357.9	169.0	4,385.2
2007	3,460.9	1,652.2	134.0	5,247.1
2008	3,535.2	1,712.8	137.5	5,385.5
2009	2,561.0	1,275.3	129.7	3,966.0

Endowment and similar funds are invested as described under "Investments" above. See "Investments" above for a discussion of changes in fair value since June 30, 2009.

Gifts and Bequests

Cornell received approximately \$2.0 billion in gifts and bequests over the last five fiscal years ended June 30, 2009. In addition, in November 2006 Cornell launched a \$4 billion campaign to support student financial aid, faculty and programs and to develop and maintain university facilities. As of December 31, 2009, the University raised approximately \$2.5 billion in cash and pledges toward the campaign goal. The tables below show gifts (excluding pledges and outside trusts) by type of donor as reported by the Cornell Alumni Affairs Office.

Gifts By Type Of Donor (In Millions)

<u>Donor</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Corporations	\$ 44.1	\$ 22.5	\$ 27.9	\$ 25.2	\$ 18.6
Foundations	40.3	54.2	69.4	42.1	30.1
Alumni	170.5	213.9	210.2	212.0	319.0
Friends/Other	<u>106.7</u>	<u>115.6</u>	<u>99.4</u>	<u>130.1</u>	<u>79.1</u>
TOTAL	<u>\$361.6</u>	<u>\$406.2</u>	<u>\$406.9</u>	<u>\$409.4</u>	<u>\$446.8</u>

Facilities

The recorded cost of Cornell's plant facilities (exclusive of accumulated depreciation) for June 30, 2005 through June 30, 2009 is as follows:

	Plant Facilities				
	June 30,				
	(In Millions)				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Land, Buildings & Equipment	\$2,087.0	\$2,197.3	\$2,616.2	\$2,902.2	\$3,207.8
Furniture, Equipment, Books & Collections	798.2	843.9	886.5	933.5	972.4
Construction in Progress	<u>273.4</u>	<u>435.1</u>	<u>351.6</u>	<u>408.5</u>	<u>424.2</u>
TOTAL	<u>\$3,158.6</u>	<u>\$3,476.3</u>	<u>\$3,854.3</u>	<u>\$4,244.2</u>	<u>\$4,604.4</u>

For fiscal year 2009, the University recognized \$178 million in depreciation expense, and the balance of accumulated depreciation was \$1.76 billion. The investment in plant cost, net of accumulated depreciation, was \$2.85 billion at June 30, 2009. The 2009 figures include land, buildings, and equipment of the Contract Colleges aggregating \$428 million, the acquisition cost of which was borne primarily by the State.

Cornell University carries blanket property insurance policies providing replacement cost coverage with a \$1 million self-insured retention of loss for all Cornell University buildings and properties (including all Endowed, State, and College facilities but except the Teaching and Research Center located in Hartford, NY) for each occurrence, and an overall limit of \$1 billion. The coverage is a comprehensive "all risk" policy form and includes business interruption coverage to the full policy limits.

Capital Plan

The University's five year capital plan approved in May 2009 projected capital expenditures for projects with a total cost of approximately \$2.2 billion. Funding for the projects is expected to come from a variety of sources, including fund raising, funds provided by New York State and additional borrowings. However, in light of the slowdown in the national and local economy the University implemented a pause in the construction of capital projects. The pause has sharply reduced the University's planned spending over the capital plan's five year period. Spending in the 2010 fiscal year is projected to be approximately \$373 million, which a portion has already been financed with the proceeds of outstanding bonds. Spending in fiscal year 2011 is projected to be approximately \$407 million. University spending in the subsequent fiscal years will depend upon the future determinations by the University to proceed with the construction of specific projects.

Indebtedness

As of June 30, 2009, the University had \$1.71 billion of outstanding debt which included 61% fixed rate debt and 39% variable rate debt. As of May 12, 2010, the University had issued a net increase of \$20.3 million in taxable commercial paper (program authorized up to \$200 million) for fiscal year 2009-2010.

Approximately \$391 million of the variable rate debt outstanding is hedged with interest rate swaps as of May 12, 2010. The University has \$1.37 billion notional amount of executed swap agreements with various counterparties including Morgan Stanley Derivatives Products, Inc, Goldman Sachs Mitsui Marine Derivative Products, L.P., Merrill Lynch Capital Services, Inc., Bank of New York and JPMorgan Chase Bank, N.A., pursuant to which the University pays or will pay a fixed rate in exchange for receiving a floating rate. Forward starting swap agreements comprise \$975 million notional amount of the swaps and are intended to hedge the University's variable interest rate exposure on future variable rate bonds projected to be issued between 2010 and 2014. Under certain circumstances the University may be required to post collateral to secure its obligations under the interest rate exchange agreements. In addition, each agreement may be terminated following the occurrence of certain events, at which time the University may be required to make a termination payment to the swap counterparty. In accordance with generally accepted accounting principles, the University is required to record the market value of

swaps. The market value of the swaps has changed from a \$124.7 million liability as of June 30, 2009 to \$127.7 million liability as of May 12, 2010. The swaps are valued on a daily basis and the market value will fluctuate based on interest rates. The University plans to terminate approximately \$200 million of forward starting swaps effective July 1, 2010 before the end of the fiscal year.

On May 3, 2010, the University converted its Dormitory Authority of the State of New York Revenue Bonds, Series 1990B from daily variable rate demand bonds to fixed rate bonds and its Dormitory Authority of the State of New York Revenue Bonds, Series 2008 (the "Series 2008 Bonds") from daily variable rate demand bonds to fixed rate bonds. The University also terminated the swap associated with the Series 2008 Bonds.

The University also plans to convert its Tompkins County Industrial Development Agency Revenue Bonds, Series 2008A (the "Series 2008A Bonds") from daily variable rate demand bonds to fixed rate bonds and to terminate the swap associated with the Series 2008A Bonds.

The University has two working capital lines of credit up to \$100 million with JPMorgan Chase Bank, N.A. and Bank of America. As of May 12, 2010, the University did not have any outstanding balances on the lines of credit.

Pension Plans

The University's employee pension plan coverage is provided by two basic types of plans: (1) based on a predetermined level of funding (defined contribution); and (2) based on a level of benefit to be provided (defined benefit). The primary plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association and College Retirements Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and the Medical College plans for the years ended June 30, 2009 and June 30, 2008, amounted to \$87.0 million and \$76.9 million, respectively. In accordance with ERISA requirements, for the defined benefit plans the University must annually fund with an independent trustee an actuarially determined amount representing normal costs plus amortization of prior service costs over a forty-year period that began on July 1, 1976. Employees of the Contract Colleges are covered under the New York State pension plan. Contributions to the State retirement system and other fringe benefit costs are paid directly by the State. The amount of the direct payments applicable to the University as revenue and expenditures is not currently determinable and is not included in the consolidated financial statements. The University reimburses the State for fringe benefit costs on certain salaries, principally those associated with externally sponsored programs. The amount reimbursed to the State during the years ended June 30, 2009 and June 30, 2008, was \$19.3 million and \$18.5 million, respectively, which are included in the expenses of general operations.

Financial Advisor

Prager, Sealy & Co., LLC has acted as financial advisor to the University on matters relating to the structuring and issuance of the Series 2010A Bonds.

LITIGATION

Litigation and other claims incident to the normal operation of the University are pending against Cornell. While the ultimate liability, if any, of Cornell is not presently determinable, such litigation and other claims, in the opinion of the University's administration, will not, in the aggregate, have a material adverse effect on Cornell's financial position or changes in net assets.

PART 7 - THE AUTHORITY

Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority was created by the Act for the purpose of financing and constructing a variety of facilities for certain independent colleges and universities and private hospitals, certain not-for-profit institutions, public educational institutions including The State University of New York, The City University of New York and Boards of Cooperative Educational Services (“BOCES”), certain school districts in the State, facilities for the Departments of Health and Education of the State, the Office of General Services, the Office of General Services of the State on behalf of the Department of Audit and Control, facilities for the aged and certain judicial facilities for cities and counties. The Authority is also authorized to make and purchase certain loans in connection with its student loan program. To carry out this purpose, the Authority was given the authority, among other things, to issue and sell negotiable bonds and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

On September 1, 1995, the Authority through State legislation (the “Consolidation Act”) succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the “Agency”) and the Facilities Development Corporation (the “Corporation”), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

In addition to providing financing, the Authority offers a variety of services to certain educational, governmental and not-for-profit institutions, including advising in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, designing interiors of projects and designing and managing projects to rehabilitate older facilities. In succeeding to the powers, duties and functions of the Corporation as described above, the scope of design and construction services afforded by the Authority has been expanded.

Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)

At March 31, 2010, the Authority had approximately \$41.5 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

The Authority's bonds and notes include both special obligations and general obligations of the Authority. The Authority's special obligations are payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued or from borrowers in connection with its student loan program. Such payments are pledged or assigned to the trustees for the holders of respective special obligations. The Authority has no obligation to pay its special obligations other than from such payments. The Authority's general obligations are payable from any moneys of the Authority legally available for the payment of such obligations. However, the payments required to be made by or for the account of the institution for which general obligations were issued generally have been pledged or assigned by the Authority to trustees for the holders of such general obligations. The Authority has always paid the principal of and interest on its special and general obligations on time and in full.

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at March 31, 2010 were as follows:

	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
Public Programs				
State University of New York				
Dormitory Facilities.....	\$ 2,350,316,000	\$ 1,043,710,000	\$ 0	\$ 1,043,710,000
State University of New York Educational and Athletic Facilities.....	13,243,272,999	5,624,057,245	0	5,624,057,245
Upstate Community Colleges of the State University of New York	1,590,645,000	662,375,000	0	662,375,000
Senior Colleges of the City University of New York	10,262,671,762	3,346,519,213	0	3,346,519,213
Community Colleges of the City University of New York	2,444,968,350	542,365,787	0	542,365,787
BOCES and School Districts	2,436,626,208	1,845,580,000	0	1,845,580,000
Judicial Facilities	2,161,277,717	724,132,717	0	724,132,717
New York State Departments of Health and Education and Other.....	6,138,795,000	4,230,220,000	0	4,230,220,000
Mental Health Services Facilities	8,032,895,000	3,881,765,000	0	3,881,765,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	985,555,000	760,915,000	0	760,915,000
Totals Public Programs.....	<u>\$ 50,420,498,036</u>	<u>\$ 22,661,639,962</u>	<u>\$ 0</u>	<u>\$ 22,661,639,962</u>
Non-Public Programs				
Independent Colleges, Universities and Other Institutions	\$ 18,886,575,260	\$ 9,853,091,435	\$ 35,975,000	\$ 9,889,066,435
Voluntary Non-Profit Hospitals.....	14,092,059,309	8,070,515,000	0	8,070,515,000
Facilities for the Aged	1,996,020,000	887,495,000	0	887,495,000
Supplemental Higher Education Loan Financing Program.....	95,000,000	0	0	0
Totals Non-Public Programs.....	<u>\$ 35,069,654,569</u>	<u>\$ 18,811,101,435</u>	<u>\$ 35,975,000</u>	<u>\$ 18,847,076,435</u>
Grand Totals Bonds and Notes	<u>\$ 85,490,152,605</u>	<u>\$ 41,472,741,397</u>	<u>\$ 35,975,000</u>	<u>\$ 41,508,716,397</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At March 31, 2010, the Agency had approximately \$324.9 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency’s bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at March 31, 2010 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ _____ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 2,880,000
Insured Mortgage Programs	6,625,079,927	314,970,000
Revenue Bonds, Secured Loan and Other Programs	<u>2,414,240,000</u>	<u>7,045,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 324,895,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 324,895,000</u>

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of the Authority annually choose the following officers, of which the first two must be members of the Authority: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2013.

JACQUES JIHA, Ph.D., *Secretary*, Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President and the Chief Financial and Operating Officer of Earl G. Graves, Ltd., a multi-media company that includes *Black Enterprise* magazine. He is also a member of the Investment Advisory Committee of the New York Common Retirement Fund. Mr. Jiha previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. In that capacity, Mr. Jiha was responsible for assets valued at \$120 billion and was in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha also served as Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2011.

CHARLES G. MOERDLER, Esq., New York.

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

ANTHONY B. MARTINO, CPA, Buffalo.

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

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Ronski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, NY. Mr. Ronski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Ronski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. 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.

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

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

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

RICHARD F. DAINES, M.D., *Commissioner of Health, Albany; ex-officio.*

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-

Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

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

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than \$90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

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

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2010A Bonds.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect the Authority and its operations. The Authority is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

The Authority complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder respecting the 2010A Project to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2009. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 8 – LEGALITY OF THE SERIES 2010A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2010A 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 2010A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 – NEGOTIABLE INSTRUMENTS

The Series 2010A Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2010A Bonds.

PART 10 – TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2010A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2010A Bonds is less than the amount to be paid at maturity of such Series 2010A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2010A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2010A Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2010A Bonds is the first price at which a substantial amount of such maturity of the Series 2010A Bonds 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 original issue discount with respect to any maturity of the Series 2010A Bonds accrues daily over the term to maturity of such Series 2010A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2010A Bonds to determine taxable

gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2010A Bonds. Beneficial Owners of the Series 2010A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2010A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2010A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2010A Bonds is sold to the public.

Series 2010A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2010A Bonds. The Authority and the University have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2010A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2010A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2010A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2010A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of James Mingle, Esq., General Counsel to the University, regarding the current qualification of the University as an organization described in Section 501(c)(3) of the Code and the intended operation of the facilities to be financed by the Bonds as substantially related to the University’s charitable purpose under Section 513(a) of the Code. Such opinion is subject to a number of qualifications and limitations. Furthermore, General Counsel to the University cannot give and has not given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service. Failure of the University to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the University’s charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010A Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2010A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2010A Bonds. Prospective purchasers of the Series 2010A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2010A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the University have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2010A Bonds ends with the issuance of the Series 2010A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the University or the Beneficial Owners regarding the tax-exempt status of the Series 2010A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the University and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the University legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2010A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2010A Bonds, and may cause the Authority, the University or the Beneficial Owners to incur significant expense.

PART 11 – STATE NOT LIABLE ON THE SERIES 2010A BONDS

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable on them and that such notes and bonds are not payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2010A Bonds are not a debt of the State and that the State is not liable on the Series 2010A Bonds.

PART 12 – COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes or bonds.

PART 13 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2010A Bonds by the Authority are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2010A Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the University by its University Counsel and Secretary of the Corporation, James Mingle, Esq., Ithaca, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2010A Bonds or questioning or affecting the validity of the Series 2010A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the 2010A Project in accordance with the provisions of the Act, the Resolution and the Loan Agreement.

PART 14 - UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Series 2010A Bonds from the Authority at an aggregate purchase price of \$300,026,858.33 and to make a public offering of the Series 2010A Bonds at prices that are not in excess of the public offering price or prices stated on the cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2010A Bonds if any are purchased.

The Series 2010A 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.

J.P. Morgan Securities Inc., one of the Underwriters of the Series 2010A Bonds, has advised the Authority that J.P. Morgan Securities Inc. has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2010A Bonds with UBS Financial Services Inc.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an Underwriter of the Series 2010A Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Series 2010A Bonds.

PART 15 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), the University has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 120 days after the end of each fiscal year, commencing with the fiscal year of the University ending June 30, 2010, for filing by DAC with the Municipal Securities Rulemaking Board ("MSRB") and its Electronic Municipal Market Access System for municipal disclosures on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 6 — THE UNIVERSITY" of this Official Statement (the "Annual Information"), together with the University's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB when they become available.

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

The University also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the University, the Trustee or the Authority, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2010A 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 University 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 University, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the University, the Holders of the Series 2010A Bonds or any other party. DAC has no responsibility for the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty or liability for failing to determine whether the University, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the University and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in "PART 6 - THE UNIVERSITY" under the headings "OPERATING INFORMATION" and "ANNUAL FINANCIAL STATEMENT INFORMATION" relating to: (1) *student admissions*, similar to that set forth under the table headings, "Freshman Admission Statistics," "Percentage of Entering Freshman Scoring 600+ on SAT" and "Graduate and Professional School Admissions;" (2) *student enrollment*, similar to that set forth under the table heading, "Enrollment Summary;" (3) *tuition and other student charges*, similar to that set forth under the table heading, "Tuition and Other Student Charges - Tuition Rates;" (4) *financial aid*, similar to that set forth under the table heading, "Sources of Undergraduate Aid;" (5) *faculty*, similar to that set forth under the table heading, "Faculty Profile;" (6) *University finances*, unless such information is included in the audited financial statements of the University; (7) *gifts and investments*, unless such information is included in the audited financial statements of the University; (8) *government contracts and grants*, unless such information is included in the audited financial statements of the University; and (9) *outstanding indebtedness*, unless such information is included in the audited financial statements of the University; together with (b) a narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the University.

The Notices include notices of any of the following events (the "Notice Events") with respect to the Series 2010A Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Series 2010A Bonds; (7) modifications to the rights of holders of the Series 2010A Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2010A Bonds; (11) rating changes; and (12) failure to provide annual financial information as required. In addition, DAC will undertake to provide to the MSRB, in a timely manner, notice of any failure by the University to provide the Annual Information and annual financial statements by the date required in the University'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 University, the Trustee and/or the Authority, and no person, including any Holder of the Series 2010A Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the University 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 2010A Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2010A 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 2010A Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2010A Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2010A Resolutions or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the

provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2010A 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 2010A Bonds will be on file at the principal office of the Authority.

PART 16 — RATINGS

Moody's Investors Service ("Moody's") has assigned a rating of "Aa1" to the Series 2010A Bonds. Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") has assigned a rating of "AA" to the Series 2010A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041; and Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2010A Bonds.

PART 17 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolution, the Series 2010A Resolution, the Series 2010A Bond Series Certificate and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2010A Resolution, the Series 2010A Bond Series Certificate and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2010A Resolutions, the Series 2010A Bond Series Certificate and the Loan Agreement are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2010A Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2010A Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2010A 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 University was supplied by the University. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

"Appendix A - Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix E - Form of Approving Opinion of Bond Counsel" have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

"Appendix B - Financial Statements of Cornell University (With Independent Auditors' Report Thereon)" contains the financial statements of the University as of and for the year ended June 30, 2009, which have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

The University has reviewed the parts of this Official Statement describing the University, the 2010A Project, the Estimated Sources and Uses of Funds and Appendix B. The University shall certify as of the dates of sale and delivery of the Series 2010A Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The University has agreed to indemnify the Authority, the Underwriters and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

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

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

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

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DEFINITIONS

Appendix A

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CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement.

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

“Act” means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law, as amended);

“Annual Administrative Fee” means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority in an amount more particularly described in the Loan Agreement, and (ii) one or more separate certificate or document executed by an Authorized Officer of the Authority and agreed to by an Authorized Officer of the University with respect to any other Series of Bonds;

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

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

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

“Authority Fee” means the fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds of a Series and the construction of the Projects, as more particularly described in the Loan Agreement, and (ii) one or more separate certificates or documents executed by an Authorized Officer of the Authority and agreed to by an Authorized Officer of the University with respect to any other Series of Bonds;

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

“Authorized Officer” means (i) in the case of the Authority, the Chair, the Vice-Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance, the Managing Director of Construction, the

Managing Director of Policy and Program Development, the Chief Financial Officer, the General Counsel, the Deputy General Counsel, the Associate General Counsel, and an Assistant General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the University, any officer of the University, and when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of the University, or designated in writing by an officer of the University to act on such officer's behalf, to perform such act or execute such document; and (iii) in the case of the Trustee, any officer of the Trustee with direct responsibility for the administration of the Resolution and also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee;

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

“Bond Counsel” means an attorney or a law firm, appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations;

“Bondholder or Holder of Bonds or Holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond;

“Bond Purchase Fund” means the fund so designated, created and established pursuant to the Resolution;

“Bond Series Certificate” means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under the Resolution or under a Series Resolution, as supplemented or amended;

“Bond Year” means a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year;

“Book-Entry Bond” means a Bond authorized to be issued, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owner of such Bond;

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

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

“Code” means the Internal Revenue Code of 1986 or any successor provisions of law, and the applicable regulations thereunder;

“Construction Fund” means the fund so designated, created and established for a Project pursuant to a Series Resolution;

“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 University 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 preparation, authorization, sale and issuance of Bonds and the preparation and execution of the Loan Agreement, 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 Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges relating to a Credit Facility or a Liquidity Facility, costs and expenses of refunding Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a Remarketing Agreement, and other costs, charges and fees, including the Authority Fee, in connection with the foregoing;

“Cost or Costs of a Project” means costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) cost and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of such Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of such Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, environmental inspections and assessments, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of such Project, (v) costs and expenses required for the acquisition of equipment or machinery, (vi) all other costs which the University shall be required to pay for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of such Project, (vii) any sums required to reimburse the University 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 such Project (including interest on moneys borrowed from parties other than the University), (viii) interest on Bonds prior to, during and for a reasonable period after the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of such project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant to the Loan Agreement, the Resolution, a Credit Facility, a Liquidity Facility or a Remarketing Agreement;

“Credit Facility” means an irrevocable letter of credit, surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a saving and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority or the Trustee is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Option Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance herewith and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default hereunder or the University is in default under the Loan Agreement;

“Debt” means indebtedness for borrowed money whether or not evidenced by notes, bonds, debentures or other similar evidences of indebtedness, or any guarantee of indebtedness for borrowed money, including indebtedness under purchase money mortgages, capital leases, installment sales contracts and similar security arrangements which appear as debt on the audited balance sheet of the University;

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

“Defeasance Security” means (a) a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of

which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (b) an Exempt Obligation (i) which is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or direct obligations of the United States of America which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) which are rated by each Rating Service in the highest rating category of each Rating Service for such Exempt Obligation; provided, however, that such term shall not mean any interest in a unit investment trust or mutual fund;

“Deferred Income Bond” means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable periodically during each Bond Year;

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

“Exempt Obligation” means 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 (i) excludable from gross income under Section 103 of the Code, (ii) not an item of tax preference 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, in the highest rating category by each Rating Agency, or, if such obligation is not rated by a Rating Agency, has been assigned a comparable rating by another nationally recognized rating service;

“Fixed Rate” means the rate at which a Series 2010A Bond bears interest to its maturity during the Fixed Rate Period, as established in accordance with the Resolution;

“Fixed Rate Mode” means a Rate Mode in which a Series 2010A Bond in such Rate Mode bears interest at a Fixed Rate;

“Fixed Rate Period” means the period from and including the Conversion Date and extending to and including the date of maturity of a Series 2010A Bond in the Fixed Rate Mode;

“Government Obligation” means a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America, an obligation (other than an obligation the payment of the principal of which is not fixed as to amount or time or payment) to which the full faith and credit of the United States of America are pledged, an obligation of any federal agency approved by the Authority, and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or a share or interest in a mutual fund, partnership or other fund wholly comprised of such 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;

“Insurance Consultant” means a person or firm who is not an employee or officer of the University or an employee or member of the Authority who is appointed by the University and is satisfactory to the Trustee, is qualified to survey risks and to recommend insurance coverage for hospital facilities and services and organizations engaged in like operations, has actuarial personnel experienced in the area of insurance for which the University is insuring and who has a favorable national reputation for skill and experience in such surveys and such recommendations;

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or a Bond Series Certificate, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter periodically during each Bond Year;

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

“Liens” means any mortgage, pledge, lien, charge, security interest or lease in the nature thereof (including any conditional sale agreement, equipment trust agreement or other title retention agreement) or other encumbrance of whatsoever nature;

“Liquidity Facility” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms hereof and of the Series Resolution authorizing such Bonds or a Bond Series Certificate;

“Loan Agreement” means the Loan Agreement executed by and between the Authority and the University, in connection with the issuance of the Bonds, as the same shall have been heretofore or hereafter amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement;

“Management Consultant” means a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing university and hospital operations, acceptable to the Authority;

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

“Note or Notes” means any obligation or obligations described in the Resolution and issued by the Authority in accordance with the Act;

“Option Bond” means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof;

“*Outstanding*,” when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; (iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bond on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bond;

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

“*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 Bonds, as more particularly described and designated in the Resolution or any Series Resolution;

“*Qualified Financial Institution*” means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (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 any state of the United States of America, (iii) a corporation affiliated with or which is a subsidiary of any entity described in (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or (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; provided, however, that in the case of any entity described in (ii) or (iii) above, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “A” or better by each Rating Service, or, if such obligations are not rated by a Rating Service, have been assigned a comparable rating by another nationally recognized rating service; provided, however, in no event shall such obligations be rated lower than the lowest rating assigned by a Rating Service to any Outstanding Bonds;

“*Qualified Hedge*” means, with respect to any Bonds, any financial arrangement (i) that is entered into by the Authority at the request of the University or the University with the approval of the Authority with an entity which is a Qualified Hedge Provider at the time the arrangement is entered into; (ii) which provides that the Authority or the University shall pay to such Qualified Hedge Provider for any period an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of such Bonds Outstanding, and that such entity shall pay to the Authority during such period an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds, at a variable rate of interest computed according to a formula set forth in such arrangement, or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Hedge with respect to such Bonds;

“*Qualified Hedge Provider*” means, with respect to any Bonds, an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability or whose payment obligations under a Qualified Hedge are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated (at the time the subject Qualified Hedge is entered into) at least as high as A3 and A- , or the equivalent thereof, by each Rating Service;

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

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

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

“*Report Date*” means June 30 and December 31 of each year;

“*Resolution*” means the “Cornell University Revenue Bond Resolution”, adopted January 26, 2000, as amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof;

“*Restricted Property*” means any of the University’s assets;

“*Revenues*” means all payments received or receivable by the Authority pursuant to the Loan Agreement, which are to be paid to the Trustee (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund);

“*S&P*” means Standard & Poor’s Corporation, a corporation organized and existing under the laws of the State of New York, 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 hereunder, is rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, not less than the second highest rating category by each Rating Agency or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and (v) common stock of any corporation incorporated in the United States of America whose senior debt, if any, at the time an investment in its stock is made or its stock is deposited in any fund or account established under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, not less than the second highest rating category by each Rating Agency or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority;

“*Serial Bonds*” means the Bonds so designated in a Series Resolution or a Bond Series Certificate;

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

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

“*Short-Term Debt*” means Debt of the University, other than Debt to the Authority, (i) which Debt is payable upon demand, (ii) twenty percent (20%) or more of the original principal amount of which Debt is payable in any Bond Year prior to the Bond Year during which Bonds are no longer Outstanding or (iii) the principal amount of which is payable prior to maturity at the option of the holder thereof (other than upon acceleration upon an event of default) prior to the Bond Year during which Bonds are no longer Outstanding, including any note, bond, debenture or other evidence of indebtedness of the University which may be tendered to the University at the option

of the holder thereof for purchase, payment or redemption prior to maturity; provided that such term shall not include any Debt twenty percent (20%) or more of the original principal amount of which is payable during any Bond Year if (x) such Debt was incurred on the same date as other Debt of the University is incurred, (y) such Debt and such other Debt were incurred pursuant to a common plan of financing and (z) less than twenty percent (20%) of the aggregate original principal amount of such Debt and such other Debt is payable in each Bond Year prior to the Bond Year during which Bonds are no longer Outstanding; provided further that such term shall not include Debt less than twenty percent (20%) of the original principal amount of which is payable during each of the current and immediately succeeding two (2) Bond Years and Debt which is not payable at the option of the holder thereof during the current or either of the immediately succeeding two(2) Bond Years;

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

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

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

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

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

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

“*University*” means the institution of higher education, duly incorporated and existing under the laws of the State, whose principal campus is located in Ithaca, New York, the corporate name of which is “Cornell University” and any successor thereto as permitted by the Loan Agreement;

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

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

such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective; and

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

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**FINANCIAL STATEMENTS OF
CORNELL UNIVERSITY
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

Appendix B

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Independent Auditors' Report

The Board of Trustees
of Cornell University:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities, and of cash flows, present fairly, in all material respects, the financial position of Cornell University ("the University") at June 30, 2009, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The summarized comparative financial statements of the University as of June 30, 2008 and for the year then ended were audited by other auditors whose report dated September 26, 2008 expressed an unqualified opinion on those statements.

As discussed in Note 1P to the consolidated financial statements as of July 1, 2008, the University adopted the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements.



October 1, 2009
Rochester, New York

Appendix B

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2009 (in thousands)
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2008)

	2009	2008
Assets		
1 Cash and cash equivalents	\$ 193,739	\$ 41,279
2 Collateral for securities loaned	24,970	215,854
3 Accounts receivable, net (note 2-A)	314,494	276,891
4 Contributions receivable, net (note 2-B)	425,375	666,817
5 Inventories and prepaid expenses	51,929	62,829
6 Student loans receivable, net (note 2-C)	70,535	72,284
7 Investments (note 3)	5,073,854	6,549,288
8 Land, buildings, and equipment, net (note 4)	2,846,850	2,616,230
9 Funds held in trust by others (note 5)	91,514	105,904
10 Total assets	<u>\$ 9,093,260</u>	<u>\$ 10,607,376</u>
Liabilities		
11 Accounts payable and accrued expenses	\$ 370,099	\$ 306,654
12 Payable under securities loan agreements	27,408	215,854
13 Deferred revenue and other liabilities (note 8-D)	242,409	299,283
14 Obligations under split interest agreements (note 5)	105,476	128,540
15 Deferred benefits (note 6)	429,792	425,038
16 Funds held in trust for others (note 7)	93,652	147,036
17 Bonds and notes payable (note 8)	1,705,378	999,170
18 Government advances for student loans	46,536	47,146
19 Total liabilities	<u>3,020,750</u>	<u>2,568,721</u>
Net assets (note 11)		
20 Unrestricted	3,186,340	5,129,765
21 Temporarily restricted	856,515	919,960
22 Permanently restricted	2,029,655	1,988,930
23 Total net assets	<u>6,072,510</u>	<u>8,038,655</u>
24 Total liabilities and net assets	<u>\$ 9,093,260</u>	<u>\$ 10,607,376</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2008)

	Unrestricted	Temporarily Restricted
Operating revenues		
1 Tuition and fees	\$ 697,493	\$ -
2 Scholarship allowance	<u>(220,522)</u>	<u>-</u>
3 Net tuition and fees	476,971	-
4 State and federal appropriations	182,371	-
5 Grants, contracts and similar agreements		
6 Direct	430,408	-
7 Indirect cost recoveries	127,316	-
8 Contributions	64,851	29,774
9 Investment return, distributed (note 3-A)	208,302	95,809
10 Medical Physicians' Organization	504,092	-
11 Auxiliary enterprises	145,502	-
12 Educational activities and other sales and services	388,713	31
13 Net assets released from restrictions	<u>144,373</u>	<u>(144,373)</u>
14 Total operating revenues	<u>2,672,899</u>	<u>(18,759)</u>
Operating expenses (note 10)		
15 Compensation and benefits	1,845,274	-
16 Purchased services	124,471	-
17 Supplies and general	497,728	-
18 Utilities, rents and taxes	152,941	-
19 Interest expense (note 8)	26,041	-
20 Depreciation	<u>178,046</u>	<u>-</u>
21 Total operating expenses	2,824,501	-
22 Change in net assets from operating activities	<u>(151,602)</u>	<u>(18,759)</u>
Nonoperating revenues and (expenses)		
23 State and federal appropriations for capital acquisitions	26,896	-
24 Grants, contracts and similar agreements for capital acquisitions	-	-
25 Contributions for capital acquisitions, trusts and endowments	43,581	30,553
26 Investment return, net of amount distributed (note 3-A)	(1,795,810)	(9,909)
27 Change in value of split interest agreements	6,790	(19,234)
28 Pension and postretirement changes other than net periodic costs (note 6-C)	(4,815)	-
29 Other	(97,056)	209
30 Net asset released for capital acquisitions and reclassifications	<u>28,591</u>	<u>(46,305)</u>
31 Change in net assets from nonoperating activities	<u>(1,791,823)</u>	<u>(44,686)</u>
32 Change in net assets	(1,943,425)	(63,445)
33 Net assets, beginning of the year	<u>5,129,765</u>	<u>919,960</u>
34 Net assets, end of the year	<u>\$ 3,186,340</u>	<u>\$ 856,515</u>

The accompanying notes are an integral part of the consolidated financial statements.

Permanently Restricted	2009 Total	2008 Total	
\$ -	\$ 697,493	\$ 669,681	1
-	(220,522)	(194,071)	2
-	476,971	475,610	3
-	182,371	190,885	4
-	-	-	5
-	430,408	390,837	6
-	127,316	114,121	7
-	94,625	217,519	8
-	304,111	280,985	9
-	504,092	451,497	10
-	145,502	140,993	11
-	388,744	376,710	12
-	-	-	13
-	2,654,140	2,639,157	14
-	1,845,274	1,746,496	15
-	124,471	144,594	16
-	497,728	478,041	17
-	152,941	138,223	18
-	26,041	27,784	19
-	178,046	173,775	20
-	2,824,501	2,708,913	21
-	(170,361)	(69,756)	22
-	26,896	55,580	23
-	-	2,451	24
38,696	112,830	364,690	25
(5,888)	(1,811,607)	(109,754)	26
(9,797)	(22,241)	6,892	27
-	(4,815)	(16,481)	28
-	(96,847)	(33,432)	29
17,714	-	-	30
40,725	(1,795,784)	269,946	31
40,725	(1,966,145)	200,190	32
1,988,930	8,038,655	7,838,465	33
<u>\$ 2,029,655</u>	<u>\$ 6,072,510</u>	<u>\$ 8,038,655</u>	34

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2008)

	2009	2008
Cash flows from operating activities		
1 Change in net assets	\$ (1,966,145)	\$ 200,190
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities		
2 Contributions for capital acquisitions, trusts and endowments	(99,193)	(357,356)
3 Depreciation	178,046	173,775
4 Net realized and unrealized (gain)/loss on investments	1,578,212	(58,543)
5 Pension and postretirement changes other than net periodic costs	4,815	16,481
6 Change in value of interest rate swaps	90,162	55,194
7 Other adjustments	(11,478)	11,606
Change in assets and liabilities		
8 Accounts receivable, net	(37,603)	(28,926)
9 Contributions receivable, net	241,442	(170,907)
10 Inventories and prepaid expenses	18,153	15,116
11 Accounts payable and accrued expenses	(26,717)	79,333
12 Deferred revenue and other liabilities	(56,874)	161,020
13 Change in obligations under split interest agreements	(8,674)	1,055
14 Deferred benefits	(61)	34,000
15 Net cash provided/(used) by operating activities	<u>(95,915)</u>	<u>132,038</u>
Cash flows from investing activities		
16 Proceeds from the sale and maturities of investments	13,362,173	10,123,144
17 Purchase of investments	(13,462,513)	(10,299,858)
18 Acquisition of land, buildings, and equipment (net)	(397,502)	(456,933)
19 Student loans granted	(7,385)	(13,692)
20 Student loans repaid	9,448	9,835
21 Change in funds held in trust for others	(53,384)	(37,794)
22 Net cash used by investing activities	<u>(549,163)</u>	<u>(675,298)</u>
Cash flows from financing activities		
Contributions restricted to		
23 Investment in endowments	79,046	234,032
24 Investment in physical plant	22,032	110,120
25 Investment subject to living trust agreements	(1,885)	13,204
26 Principal payments of bonds and notes payable	(178,315)	(87,316)
27 Proceeds from issuance of bonds and notes payable	884,523	286,428
28 Bond issuance costs incurred	(7,253)	(2,769)
29 Government advances for student loans	(610)	3,271
30 Net cash provided by financing activities	<u>797,538</u>	<u>556,970</u>
31 Net change in cash and cash equivalents	152,460	13,710
32 Cash and cash equivalents, beginning of year	41,279	27,569
33 Cash and cash equivalents, end of year	<u>\$ 193,739</u>	<u>\$ 41,279</u>
Supplemental disclosure of cash flow information		
34 Cash paid for interest	\$ 40,820	\$ 38,142

The accompanying notes are an integral part of the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

Cornell University (“the University”) consists of three major organizational units: Endowed Ithaca, which includes the endowed colleges, the central University administration, and the enterprise and service operations for the Ithaca campus; Contract Colleges at Ithaca (colleges operated by the University on behalf of New York State); and the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences (“the Medical College”) in New York City. These three units are subject to the common administrative authority and control of the Cornell University Board of Trustees, but generally operate as financially discrete entities. The laws establishing the Contract Colleges at Ithaca prohibit other units of the University from using funds attributable to those colleges. Except as specifically required by law, the contract and endowed colleges at Ithaca are, to the extent practicable, governed by common management principles and policies determined at the private discretion of the University. In addition to the three major organizational units, the University’s subsidiaries and certain affiliated organizations are included in the consolidated financial statements. All significant intercompany transactions and balances are eliminated in the accompanying consolidated financial statements.

B. Basis of Presentation

The accompanying consolidated financial statements have been prepared on an accrual basis in accordance with U.S. generally accepted accounting principles (GAAP), and are presented in accordance with the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations. The standards for financial statements of not-for-profit organizations require a statement of financial position, a statement of activities, and a statement of cash flows, and that they be displayed based on the concept of net assets. GAAP requires presentation of revenues, expenses, gains, losses, and net assets in three categories based on the presence or absence of donor-imposed restrictions: permanently restricted, temporarily restricted, and unrestricted.

Permanently restricted net assets include the historical dollar amount of gifts, pledges, trusts, and gains explicitly required by donors to be permanently retained.

Temporarily restricted net assets include gifts, pledges, trusts, income, and gains that can be expended, but for which the donor restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (e.g., future capital projects, pledges to be paid in the future, life income funds). Expiration of donor restrictions is reported in the consolidated statement of activities as a reclassification from temporarily restricted net assets to unrestricted net assets on the net assets released from restrictions lines.

Unrestricted net assets are the remaining net assets of the University, including appreciation on true endowments where the donor restrictions are deemed to have been met.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

The consolidated statement of activities presents the changes in net assets of the University from both operating and non-operating activities. Revenues and expenses that relate to carrying out the University's educational, research, and public service missions are reported as operating activities. Operating revenues include investment income and appreciation utilized to fund current operations, the largest portion of which is the distribution of endowment return as determined by the University's spending policy. The University reports as nonoperating activities investment earnings or losses net of amounts utilized in operating activities, contributions and net assets released from restrictions for endowment and facilities, and other activities not in direct support of the University's annual operations.

C. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and in bank accounts, money market funds and other temporary investments held for working capital purposes with an original maturity term of ninety days or less. The carrying amount of cash equivalents approximates fair value because of their short terms of maturity. Cash that is part of the University's investment portfolio and awaiting investment is reported as investments and included in Note 3.

D. Collateral for Securities Loaned

The University has an agreement with its investment custodian to lend University securities to approved brokers for a fee. The securities on loan are returnable on demand and are collateralized by cash deposits that are adjusted daily based on the market value of the securities loaned. The collateral is invested in short-term securities with the goal of preserving capital, and the earnings are recorded as additional income to the investment pools. Collateral is reported as both an asset and liability of the University. The University realizes losses on any investments that are deemed permanently impaired, and may reflect the collateral reported as an asset at a value different from the University's liability for the return of the cash collateral.

E. Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the appropriate categories of net assets in the period received. A pledge is recorded at present value of estimated future cash flows, based on an appropriate discount rate determined by management at the time of the contribution. Amortization of this discount in subsequent years is included in contribution revenue. A contribution of assets other than cash is recorded at its estimated fair value on the date of the contribution. Contributions for capital projects, endowments, and similar funds are reported as nonoperating revenues. Conditional promises to donate to the University are not recognized until the conditions are substantially met.

Temporarily restricted net assets include contributions to the University and to the Cornell University Foundation, an affiliated entity that is included in the consolidated financial statements. The Foundation maintains a donor-advised fund for which the donors can make recommendations to the fund's trustees regarding distributions to the University or other charitable organizations. Distributions from the Foundation to external charitable organizations are recorded as nonoperating expenses.

F. Investments

The University's investments are recorded in the consolidated financial statements at fair value. The values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. The fair value of nonmarketable securities is based on valuations provided by external investment managers. These investments are generally less liquid than other investments, and the values reported by the general partner or investment manager may differ from the values that would have been reported had a ready market for these securities existed. The University exercises due diligence in assessing the policies, procedures, and controls implemented by its external investment managers, and believes the carrying amount of these assets is a reasonable estimate of fair value.

Investment income is recorded on an accrual basis, and purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using average cost for securities sold.

G. Derivative Instruments and Hedging Activities

The University has approved the use of derivatives by outside investment managers, based on investment guidelines negotiated at the time of a manager's appointment. The derivatives are used to adjust fixed income durations and rates, to create "synthetic exposures" to certain types of investments, and to hedge foreign currency fluctuations. The University

records the fair value of derivative instruments within the applicable portfolio. The change in the fair value of a derivative instrument held for investment is included in nonoperating investment return in the consolidated statement of activities.

In addition, the University holds other derivatives to manage its current and/or future long-term debt. These instruments are recorded at fair value as either prepaid or accrued expenses in the consolidated statement of financial position, and the change in fair value is recorded as other nonoperating activity in the consolidated statement of activities.

Derivatives involve counterparty credit exposure. To minimize this exposure, the University carefully monitors counterparty credit risk and requires that investment managers use only those counterparties with strong credit ratings for these derivatives.

H. Land, Buildings, and Equipment

Land, buildings, and equipment are stated in the consolidated statement of financial position at cost on the date of acquisition or at fair value on the date of donation, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, and is reflected as an operating expense. Expenditures associated with the construction of new facilities are recorded as construction in progress until the projects are completed.

The University's collections, whether paintings, rare books, or other tangible property, have been acquired through purchases and contributions since the University's inception. They are recognized as capital assets and are reflected, net of accumulated depreciation, in the consolidated statement of financial position. A collection received as a gift is recorded at fair value as an increase in net assets in the year in which it is received.

I. Funds Held in Trust by Others

Funds held in trust by others represent resources that are not in the possession or under the control of the University. These funds are administered by outside trustees, with the University receiving income or residual interest. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows due to the University when the irrevocable trust is established or the University is notified of its existence. Gains or losses resulting from changes in fair value are recorded as nonoperating activities in the consolidated statement of activities.

J. Split Interest Agreements

The University's split interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and charitable trusts for which the University serves as trustee. Assets held in trust are either separately invested or included in the University's investment pools in accordance with the agreements. Contribution revenue and the assets related to split interest agreements, net of related liabilities, are classified as increases in temporarily restricted net assets or permanently restricted net assets. Liabilities associated with charitable gift annuities and charitable remainder trusts represent the present value of the expected payments to the beneficiaries based on the terms of the agreements. Pooled income funds are recognized at the net present value of the net assets expected at a future date. Gains or losses resulting from changes in fair value, changes in assumptions and amortization of the discount are recorded as changes in value of split interest agreements in the appropriate restriction category in the nonoperating section of the consolidated statement of activities.

K. Endowments

In approving endowment spending and related policies, and in keeping with the prudent and diligent discharge of its duties, the Board of Trustees of Cornell University, as authorized by the New York Not-for-Profit Corporation Law (the "law"), has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees and the duly appointed officers of the University, including University Counsel, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the University classifies as permanently restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

The University's investment objective for its endowment assets is to maximize total return within reasonable risk parameters, specifically, to achieve a total return, net of expenses, of at least 5 percent in excess of inflation, as measured by the Consumer Price Index over rolling five year periods. The achievement of favorable investment returns enables the University to distribute increasing amounts over time from the endowment so that present and future needs can be treated equitably in inflation adjusted terms.

The University has a total distribution policy for the Long Term Investment Pool, in which most of the endowment assets are invested. Under this policy, a distribution is provided from the pool, independent of the cash yield and investment returns in a given year. This insulates both investment policy from budgetary pressures and the distribution from fluctuations in financial markets. Distributions from the pool are approved by the Board of Trustees as part of the financial planning process. The annual distribution is set so that, over time, a sufficient portion of the return is reinvested to maintain the purchasing power of the endowment and provide reasonable growth in support of programs.

The annual distributions, or payout, to endowment funds are normally five percent greater than the prior fiscal year, as long as that increase allows the payout to remain within a defined target range of a 12-quarter rolling average of the unit fair value. The trustees may occasionally make step adjustments, either incremental or decremental, based on prior investment performance and current market conditions.

Total distributions, or spending, include payout, investment expenses, and service charges that support the general and stewardship costs of the University endowment.

L. Sponsored Agreements

Revenues under grants, contracts, and similar agreements are recognized at the time expenditures are incurred. These revenues include the recovery of facilities and administrative costs, which are recognized according to negotiated predetermined rates. Amounts received in advance, in excess of incurred expenditures, are recorded as deferred revenues.

M. Medical Physicians' Organization

The Medical Physicians' Organization provides the management structure for the practice of medicine in an academic medical center. In addition to conducting instructional and research activities, physician members generate clinical practice income from their professional services to patients. Also reflected as University revenues are Medical Physicians' Organization fees. Expenses of the clinical practice, including physician compensation, administrative operations, and provision for uncollectible accounts, are reflected as University expenses. Net assets resulting from the activities of the Medical Physicians' Organization are designated for the respective clinical departments of the Medical College.

N. 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, revenues, and expenses during the reporting period. Management's assumptions are primarily related to the appropriate discount rate for the purposes of fair value calculations, to allowances for doubtful accounts, and to self-insured risks. Actual results may differ from those estimates.

O. Comparative Financial Information

The consolidated statement of activities includes prior-year information in summary form, rather than by restriction class. Such information does not include sufficient detail to constitute a presentation of prior-year data in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the prior fiscal year, from which the summarized information was derived.

P. Accounting Pronouncements

Effective for the fiscal year beginning July 1, 2008, the University adopted Statement of Financial Accounting Standards No. 157: *Fair Value Measurements* (FAS 157). FAS 157 defines fair value based on the exchange price, that is, the amount that would be received if an asset were sold or the amount paid to transfer a liability, in an orderly transaction between market participants at the measurement date. It also establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements.

FAS 157 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University, and unobservable inputs reflect the University's own assumptions, based on the best information available, about how market participants would value an asset or liability. Valuation techniques used to measure fair value under FAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, described below, that may be used to measure fair value, the first two of which are considered observable and the last unobservable.

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

In addition, the provisions of Statement of Financial Accounting Standards No. 159: *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159) were effective July 1, 2008. FAS 159 gives entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The fair value option may be applied to financial assets and liabilities on an instrument-by-instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which FAS 159 has been elected are reported in earnings at each subsequent reporting date. The University elected FAS 159 for its obligations under split interest agreements.

Also effective for the fiscal year ended June 30, 2009, the University included the additional disclosures required by FASB Staff Position No. 117-1: *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Although New York State has not yet adopted the provisions of UPMIFA, this FSP also requires additional disclosures about an organization's endowment funds, whether or not the organization is subject to UPMIFA. These disclosures are found in Notes 1-K and 11.

Q. Reclassifications

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

R. Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate sections of the Internal Revenue Code.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

2. RECEIVABLES**A. Accounts Receivable**

Accounts receivable from the following sources were outstanding as of June 30:

SUMMARY OF ACCOUNTS RECEIVABLE

	2009	2008
Grants and contracts	\$ 89,594	\$ 68,305
Collateral related to interest rate swap agreements	20,341	2,857
New York Presbyterian Hospital and other affiliates	69,320	59,201
Patients (net of contractual allowances)	68,952	71,619
State of New York for capital projects	28,850	17,794
Student accounts	8,884	5,764
Other	42,993	66,514
Gross accounts receivable	<u>\$ 328,934</u>	<u>\$ 292,054</u>
Less: allowance for doubtful accounts	(14,440)	(15,163)
Net accounts receivable	<u>\$ 314,494</u>	<u>\$ 276,891</u>

The patient accounts receivable for medical services was comprised of the following at June 30, 2009 and 2008, respectively: commercial third parties 56.8 percent and 51.7 percent; federal/state government 16.7 percent and 16.8 percent; and patients 26.5 percent and 31.5 percent.

Other accounts receivable include receivables from other government agencies, matured bequests, and receivables from other operating activities.

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 4 percent to 7 percent. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE

	2009	2008
Less than one year	\$ 179,825	\$ 212,667
Between one and five years	259,448	315,095
More than five years	121,473	474,898
Gross contributions receivable	<u>\$ 560,746</u>	<u>\$ 1,002,660</u>
Less: unamortized discount	(96,531)	(300,748)
Less: allowance for uncollectible amounts	(38,840)	(35,095)
Net contributions receivable	<u>\$ 425,375</u>	<u>\$ 666,817</u>

Contributions receivable as of June 30 are intended for the following purposes:

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	2009	2008
Support of University operations	\$ 137,140	\$ 297,287
Capital purposes	133,723	153,352
Endowments and similar funds	154,512	216,178
Net contributions receivable	<u>\$ 425,375</u>	<u>\$ 666,817</u>

At June 30, 2009 and 2008, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions, were approximately \$196,889 and \$165,458, respectively.

C. Student Loans Receivable

The University participates in various federal revolving loan programs, in addition to administering institutional loan programs. Loans receivable from students as of June 30 are as follows:

SUMMARY OF STUDENT LOANS RECEIVABLE

	<u>2009</u>	<u>2008</u>
Federal revolving loans	\$ 46,267	\$ 48,962
Institutional loans	30,243	29,618
Gross student loans receivable	\$ 76,510	\$ 78,580
Less: allowance for doubtful accounts	(5,975)	(6,296)
Net student loans receivable	\$ 70,535	\$ 72,284

The allowance for doubtful accounts is for loans in both repayment status and those not yet in repayment status because the borrowers are still in school or in the grace period following graduation.

Student loans are often subject to unique restrictions and conditions and, therefore, it is not practical to determine their fair values.

3. INVESTMENTS**A. General Information**

The University's investments are overseen by the Investment Committee of the Board of Trustees. The University's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of the world equity, fixed income, commodities, real estate, and private equity markets. Based on guidelines established by the Investment Committee, the University's Investment Office directs the investment of endowment and trust assets, certain working capital, and temporarily invested expendable funds.

The University has categorized its investment assets in accordance with the valuation hierarchy as defined by FAS 157. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for investment assets measured at fair value on a recurring basis.

Fair value for Level 1 is based upon quoted prices in active markets that the University has the ability to access for identical assets. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable.

Investments included in Level 3 primarily consist of the University's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The fair value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. The NAV of these investments is determined by the general partner, and is based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to ensure that NAV is an appropriate measure of fair value as of June 30.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The University's investment holdings as of June 30, categorized in accordance with FAS 157, are summarized in the following table:

INVESTMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2009 Total	2008 Total
Cash and cash equivalents	\$ 569,960	\$ 7,057	\$ -	\$ 577,017	\$ 267,836
Domestic equities	55,166	60,625	13,628	129,419	699,794
Foreign equities	177,800	4,267	44,845	226,912	911,636
Marketable alternatives	-	-	740,808	740,808	625,452
Hedged equities	16,430	-	747,315	763,745	1,252,730
Fixed income	537,797	369,808	356,578	1,264,183	898,489
Private equities	-	-	736,633	736,633	902,677
Real assets	-	-	584,039	584,039	956,468
Other	-	-	51,098	51,098	34,206
Total investments	\$ 1,357,153	\$ 441,757	\$ 3,274,944	\$ 5,073,854	\$ 6,549,288
Securities not included in investment portfolio					
Cash and cash equivalents	\$ 173,347	\$ -	\$ -	\$ 173,347	\$ -
Collateral for securities loaned	\$ -	\$ 24,970	\$ -	\$ 24,970	\$ 215,854

The following table is a rollforward of the investments classified by the University within Level 3 of the fair value hierarchy defined above:

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, 2008	Realized gains/(losses)	Unrealized gains/(losses)	Net purchases, sales, settlements	Transfers in/(out) of Level 3	Fair value at June 30, 2009
Domestic equities	\$ 14,131	\$ -	\$ 34	\$ 8	\$ (545)	\$ 13,628
Foreign equities	117,364	786	(47,123)	(26,182)	-	44,845
Marketable alternatives	625,452	(3,953)	(33,681)	152,990	-	740,808
Hedged equities	1,249,927	60,199	(324,096)	(238,715)	-	747,315
Fixed income	271,367	(74)	(39,603)	124,888	-	356,578
Private equities	902,677	15,138	(198,389)	17,207	-	736,633
Real assets	957,167	(9,171)	(346,744)	(17,213)	-	584,039
Other	34,206	652	-	(574)	16,814	51,098
Total Level 3 investments	\$ 4,172,291	\$ 63,577	\$ (989,602)	\$ 12,409	\$ 16,269	\$ 3,274,944

All net realized and unrealized gains/(losses) in the table above are reflected in the accompanying consolidated statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2009.

Under the terms of certain limited partnership agreements, the University is obligated to make additional capital contributions up to contractual levels. At June 30, 2009 and 2008, the University had commitments of \$1,067,403 and \$1,362,308, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

The University maintains a number of investment pools or categories for specified purposes, the most significant of which are the Long-Term Investment Pool (LTIP), described below, and several funds established to maximize total return derived from the investment of intermediate-term cash balances. The fair values as of June 30 were as follows:

INVESTMENTS POOLS/CATEGORIES AT FAIR VALUE		
	2009	2008
Working capital	\$ 1,185	\$ 32,704
Intermediate-term	625,261	571,174
Long-term investment pool (LTIP)	3,794,336	5,378,096
Separately invested portfolio	444,266	411,614
Pooled life income funds	10,042	13,909
DASNY holdings	156,372	111,076
Other	42,392	30,715
Total	\$ 5,073,854	\$ 6,549,288

Additional information about the University's investment return for the fiscal years ended June 30 is presented in the following table:

SUMMARY OF INVESTMENT RETURN		
	2009	2008
Interest and dividends, net of investment fees	\$ 70,716	\$ 112,688
Net realized gain/(loss)	(499,093)	415,142
Net unrealized gain/(loss)	(1,079,119)	(356,599)
Total investment return	\$ (1,507,496)	\$ 171,231
LTIP distributions for operations	\$ 269,811	\$ 238,282
PBIF distributions for operations	34,681	36,506
Trust and other income for operations	(381)	6,197
Investment return, distributed	\$ 304,111	\$ 280,985
Investment return, undistributed	(1,811,607)	(109,754)
Total investment return	\$ (1,507,496)	\$ 171,231

B. Long-Term Investment Pool

The LTIP is a mutual fund-like vehicle used for investing the University's true endowment funds, funds functioning as endowment, and other funds that are not expected to be expended for at least three years. The University employs a unit method of accounting for the LTIP. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit fair values. At June 30, 2009 and 2008, the fair values per unit were \$45.12 and \$65.37, respectively. The total return on the University's long-term investments, of which the LTIP is the major component, was -26.0 percent for the fiscal year ended June 30, 2009. The changes in the fair value and cost of the LTIP and information about its participating units as of June 30, 2009 and 2008 are as follows:

SUMMARY INFORMATION - LONG-TERM INVESTMENT POOL

	Fair value	Cost	Appreciation/ (depreciation)	Fair value per unit	Number of units
End of year	\$ 3,794,336	\$ 3,671,369	\$ 122,967	\$ 45.12	84,095,359
Beginning of year	\$ 5,378,096	\$ 4,267,499	\$ 1,110,597	\$ 65.37	82,269,929
Unrealized net gain/(loss) for year			\$ (987,630)		
Realized net gain/(loss) for year			\$ (445,845)		
Net gain/(loss) for year			\$ (1,433,475)		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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For the fiscal year ended June 30, 2009, distributions of investment payout to participating funds totaled \$250,681 (\$3.00 per unit) of which \$223,668 was paid out for the University's operations, with the balance in the amount of \$27,013 either returned to principal or distributed to funds held for others. The distribution for the fiscal year ended June 30, 2009 was comprised of \$13,097 in net investment income and \$237,584 paid from accumulated gains. For the fiscal year ended June 30, 2008, the investment payout was \$213,048 (\$2.66 per unit), and was comprised of \$46,997 in net investment income and \$166,051 paid from accumulated gains.

C. Separately Invested Portfolio, Pooled Life Income Funds, and DASNY Holdings

The University maintains a category of assets referred to as the separately invested portfolio. This category consists of assets that, for legal or other reasons, or by request of the donor, could not participate in any of the investment pools.

Life income fund pools consist of donated funds, the income from which is payable to one or more beneficiaries during their lifetimes. On the termination of life interests, the principals become available for University purposes, which may or may not have been restricted by the donors.

University funds on deposit at DASNY consist of reserves for retirement of debt and bond proceeds not yet expended. The total funds on deposit are \$156,372 and \$122,599 as of June 30, 2009 and 2008, respectively. The amount of bond proceeds not yet expended included in the total reserves at DASNY are \$126,873 and \$107,653 as of June 30, 2009 and 2008, respectively.

D. Derivative Financial Instruments

The University has approved the use of derivatives by outside investment managers, based on investment guidelines negotiated at the time of a manager's appointment. The derivatives are used to adjust fixed income durations and rates, to create "synthetic exposures" to certain types of investments, and to hedge foreign currency fluctuations.

Certain investment transactions, including derivative financial instruments, involve counterparty credit exposure. The University's investment guidelines require that investment managers use only those counterparties with strong credit ratings for these derivatives. The fair value of the derivative investments were \$85,450 and \$48,791 at June 30, 2009 and 2008, respectively. For the fiscal years ended June 30, 2009 and 2008, the University recorded unrealized gains of \$7,071 and \$366, respectively, on derivative holdings.

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT				
	Book value at June 30, 2008	Additions	Disposals and closed projects	Book value at June 30, 2009
Land, buildings, and equipment	\$ 2,902,213	\$ 313,560	\$ (7,956)	\$ 3,207,817
Furniture, equipment, books, and collections	933,512	81,788	(42,917)	972,383
Construction in progress	408,433	337,364	(321,549)	424,248
Total before accumulated depreciation	\$ 4,244,158	\$ 732,712	\$ (372,422)	\$ 4,604,448
Accumulated depreciation	(1,627,928)			(1,757,598)
Net land, buildings, and equipment	\$ 2,616,230			\$ 2,846,850

Certain properties to which the University does not have title are included in physical assets at net book values, as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating \$428,431 and \$421,439 at June 30, 2009 and 2008, respectively, the acquisition cost of which was borne primarily by New York State and (2) land, buildings, and equipment for which titles rest with government and corporate agencies aggregating \$13,842 and \$17,296 at June 30, 2009 and 2008, respectively.

5. OBLIGATIONS UNDER SPLIT INTEREST AGREEMENTS AND FUNDS HELD IN TRUST BY OTHERS

The University elected the provisions of FAS 159 and, as a result, is required to report its obligations under split interest agreements at fair value as of June 30, 2009 and at each subsequent reporting date. In addition, the election means that the fair value of these liabilities are subject to the guidelines and disclosures required by FAS 157.

The University's interest in funds held in trust by others is considered Level 3, based on unobservable inputs, in the FAS 157 fair value hierarchy. Trusts in which the University has an income interest are valued annually using estimated cash flows based on average actual income over three years. Remainder interests are based on annual valuation reports received from the trustee. The discount rate used to estimate present value is based on the average return of investment grade corporate bonds, weighted according to a schedule of actuarial maturities.

The fair value of obligations under split interest agreements are calculated annually and considered Level 3 valuations. The discount rate used is based on a weighted average of investment grade corporate bonds using a schedule of actuarial maturities and the relative size of the agreements in the year of maturity.

The tables below summarize the fair values and activity of funds held in trust by others and obligations under split interest agreements.

SPLIT INTEREST AGREEMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2009 Total	2008 Total
Remainder	\$ -	\$ -	\$ 56,515	\$ 56,515	\$ 69,190
Lead and perpetual	-	-	34,999	34,999	36,714
Total funds held in trust by others	\$ -	\$ -	\$ 91,514	\$ 91,514	\$ 105,904
Obligations under split interest agreements	\$ -	\$ -	\$ 105,476	\$ 105,476	\$ 128,540

SUMMARY OF LEVEL 3 SPLIT INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, 2008	Realized gains/(losses)	Unrealized gains/(losses)	Net purchases, sales, settlements	Transfers in/(out) of Level 3	Fair value at June 30, 2009
Remainder	\$ 69,190	\$ -	\$ (17,039)	\$ 4,364	\$ -	\$ 56,515
Lead and perpetual	36,714	(1,604)	(12)	(99)	-	34,999
Total funds held in trust by others	\$ 105,904	\$ (1,604)	\$ (17,051)	\$ 4,265	\$ -	\$ 91,514
Obligations under split interest agreements	\$ 128,540	\$ -	\$ (23,064)	\$ -	\$ -	\$ 105,476

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6. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS		
	2009	2008
Postemployment benefits	\$ 24,421	\$ 21,334
Pension and other postretirement benefits	250,910	239,950
Other deferred benefits	154,461	163,754
Total deferred benefits	\$ 429,792	\$ 425,038

Other deferred benefits include primarily vacation accruals, deferred compensation, and medical benefit claims incurred but not yet reported. Accrued postemployment benefits include workers' compensation and medical continuation benefits for those on long-term disability. The University also provides various benefits to former or inactive employees after employment, but before retirement, that are recognized when they are earned.

B. Pension and Postretirement Plans

The University's employee pension plan coverage is provided by two basic types of plan: one based on a predetermined level of funding (defined contribution), and the other based on a level of benefit to be provided (defined benefit).

The primary defined contribution plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and Medical College plans for the fiscal years ended June 30, 2009 and 2008 amounted to \$86,959 and \$76,873, respectively.

The Medical College maintains a defined benefit plan for non-exempt employees. The defined benefit plan for exempt employees was frozen in 1976, and the accrued benefits were merged with the active non-exempt retirement plan in 1989.

In addition, certain non-exempt employees of Endowed Ithaca were covered by the Cornell University Retirement Plan for Non-Exempt Employees of the Endowed Colleges at Ithaca (NERP), a defined benefit plan. The Board of Trustees voted to terminate this frozen plan effective December 31, 2006, with all surplus assets inuring to the plan participants. During the fiscal year ended June 30, 2009, all remaining benefits and administrative costs of the terminating plan have been settled.

In accordance with Employee Retirement Income Security Act (ERISA) requirements for the defined benefit plans, the University must fund annually with an independent trustee an actuarially determined amount that represents normal costs plus amortization of prior service costs over a forty-year period that began on July 1, 1976.

The University also provides health and life insurance benefits for eligible retired employees and their dependents. Although there is no legal obligation for future benefits, the cost of postretirement benefits must be accrued during the service lives of employees. The University elected the prospective transition approach and is amortizing the transition obligation over 20 years, through fiscal year 2012-13.

C. Obligations and Funded Status

The following table sets forth the pension and postretirement plans' obligations and funded status as of June 30:

SUMMARY OF OBLIGATIONS AND FUNDED STATUS

	Pension benefits		Other postretirement	
	2009	2008	2009	2008
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$ 40,719	\$ 53,110	\$ 127,045	\$ 127,921
Actual return on plan assets	(6,189)	(3,930)	(22,090)	(6,212)
Employer contribution	3,462	3,000	5,589	5,336
Benefits paid	(2,516)	(1,725)	-	-
Settlements	(391)	(9,736)	-	-
Fair value of plan assets at end of year	\$ 35,085	\$ 40,719	\$ 110,544	\$ 127,045
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	\$ 57,377	\$ 59,919	\$ 350,135	\$ 326,096
Service cost (benefits earned during the period)	3,671	3,420	14,971	13,528
Interest cost	3,311	3,094	20,064	18,841
Plan amendments	-	3,132	(823)	-
Actuarial (gain)/loss	84	(727)	(36,871)	1,942
Settlements	(391)	(9,736)	-	-
Benefits paid	(2,516)	(1,725)	(11,649)	(10,272)
Projected benefit obligation at end of year	\$ 61,536	\$ 57,377	\$ 335,827	\$ 350,135
FUNDED STATUS	\$ (26,451)	\$ (16,658)	\$ (225,283)	\$ (223,090)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	\$ (26,451)	\$ (16,658)	\$ (225,283)	\$ (223,090)
AMOUNTS RECORDED IN UNRESTRICTED NET ASSETS NOT YET AMORTIZED AS COMPONENTS OF NET PERIODIC BENEFIT COST				
Net transition obligation	\$ -	\$ -	\$ 14,577	\$ 18,221
Prior service cost	-	-	(441)	510
Net actuarial (gain)/loss	17,506	8,681	61,146	66,202
Amount recognized as reduction in unrestricted net assets	\$ 17,506	\$ 8,681	\$ 75,282	\$ 84,933

The accumulated benefit obligation for the pension plans was \$46,134 and \$44,061 at June 30, 2009 and 2008, respectively. The accumulated benefit obligation differs from the projected benefit obligation in the table above in that it includes no assumptions about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels. For postretirement plans other than pensions, the accumulated benefit obligation is the same as the projected benefit obligations because the liabilities are not compensation-related.

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D. Net Periodic Benefit Cost

Net benefit expense related to the pension and postretirement plans for the fiscal years ended June 30 includes the following components:

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2009	2008	2009	2008
Service cost (benefits earned during the period)	\$ 3,671	\$ 3,420	\$ 14,971	\$ 13,528
Interest cost	3,311	3,094	20,135	18,841
Expected return on plan assets	(2,971)	(3,776)	(9,854)	(9,906)
Amortization of initial transition obligation	-	-	3,644	3,644
Amortization of prior service cost	-	3,133	129	129
Amortization of net (gain)/loss	219	3,593	57	495
Settlement (gain)/loss	-	696	-	-
Net periodic benefit cost	\$ 4,230	\$ 10,160	\$ 29,082	\$ 26,731

The amounts of transition obligation, prior service costs, and actuarial gains/losses that will be amortized into net periodic benefit cost for the year ending June 30, 2010 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Transition obligation	\$ -	\$ 3,644
Prior service cost	-	(76)
Net actuarial (gain)/loss	1,074	2,172
Total	\$ 1,074	\$ 5,740

E. Actuarial Assumptions

Assumptions used in determining the pension and postretirement plans benefit obligations and net periodic costs are:

SUMMARY OF ACTUARIAL ASSUMPTIONS

	Pension benefits		Other postretirement	
	2009	2008	2009	2008
USED TO CALCULATE BENEFIT OBLIGATIONS AT JUNE 30				
Discount rate	6.10%	6.00%	6.25% / 6.20%	6.00%
Rate of compensation increase	6.10%	6.10%		
USED TO CALCULATE NET PERIODIC COST AT JULY 1				
Discount rate	6.00%	6.00%	6.00%	6.00%
Expected return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	6.10%	6.10%		
ASSUMED HEALTH CARE COST TREND RATES				
Health care cost trend rate assumed for next year	n/a	n/a	8.00%	8.00%
Ultimate trend rate	n/a	n/a	5.00%	5.00%
Years to reach ultimate trend rate	n/a	n/a	6	6

The health care cost trend rate assumption has a significant effect on the amounts reported for other postretirement (health care) plans. Increasing the health care cost trend rate by 1 percent in each future year would increase the benefit obligation by \$57,072 and the annual service and interest cost by \$7,895. Decreasing the health care cost trend rate by 1 percent in each future year would decrease the benefit obligation by \$46,176 and the annual service and interest cost by \$5,631.

F. Plan Assets

The plan assets for Endowed Ithaca and the Medical College are invested with an outside trustee for the sole benefit of the plan participants. Consistent with that objective, investments are managed to maximize total return while maintaining a prudent limitation on risk.

Risk mitigation is achieved by diversifying investments across multiple asset classes, by investing in high quality securities, and by permitting flexibility in the balance of investments in the permitted asset classes. The expected return on assets was derived based on long-term assumptions of inflation, real returns (primarily historically based), anticipated value added by the investment managers, and expected average asset class allocations. The expected returns on plan assets by category are 9.25 percent on equity securities, 5.75 percent on debt securities, and 8.25 percent on real estate.

Plan asset allocations by category at June 30 are as follows:

SUMMARY OF PLAN ASSETS

PERCENTAGE OF PLAN ASSETS	Target allocation	Pension benefits		Other postretirement	
		2009	2008	2009	2008
Equity securities	39-85%	62.0%	59.7%	66.0%	69.7%
Debt securities	15-55%	36.0%	36.7%	33.0%	30.3%
Real estate	0-5%	2.0%	3.6%	1.0%	0.0%
Total		100.0%	100.0%	100.0%	100.0%

G. Expected Contributions and Benefit Payments

The expected annual contributions and benefit payments that reflect anticipated service are as follows:

EXPECTED CONTRIBUTIONS AND BENEFIT PAYMENTS

UNIVERSITY CONTRIBUTIONS	Pension benefits	Other postretirement	
		Employer paid	Government subsidy
2010	\$ 2,777	\$ 8,501	n/a
FUTURE BENEFIT PAYMENTS			
2010	\$ 3,019	\$ 14,459	\$ 1,909
2011	3,716	16,104	2,116
2012	3,756	17,721	2,352
2013	3,764	19,371	2,587
2014	4,390	21,024	2,832
2015-2019	26,584	135,376	18,463

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established a prescription drug benefit known as "Medicare Part D" that also established a federal subsidy to sponsors of retiree healthcare benefit plans. The estimated future government subsidy amounts are reflected in the table above.

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other employee benefit costs are paid directly by the state. The amounts of the direct payments applicable to the University as revenue and expenditures are not currently determinable and are not included in the consolidated financial statements. The University reimburses the state for employee benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ended June 30, 2009 and 2008, were \$19,335 and \$18,459, respectively, and were included in operating expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

7. FUNDS HELD IN TRUST FOR OTHERS

The University, in limited instances, invests funds as a custodian for other closely related parties. Independent trustees are responsible for the funds and for the designation of income distribution. The New York Hospital-Cornell Medical Center Fund, Inc., which benefits the Weill Cornell Medical Center of the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment portfolio with assets having market values of \$131,011 and \$189,342 at June 30, 2009 and 2008 respectively. Of these investments, a portion of the future income stream has been directed in perpetuity to benefit the Medical College. The present values of this income stream, calculated to be \$74,134 and \$75,966 at June 30, 2009 and 2008, respectively, are recorded as reductions in the funds held in trust for others liability.

8. BONDS AND NOTES PAYABLE

A. General Information

Bonds and notes payable as of June 30 are summarized as follows:

SUMMARY OF BONDS AND NOTES PAYABLE

	<u>2009</u>	<u>2008</u>	<u>Interest rates</u>	<u>Final maturity</u>
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-variable rate/daily	\$ 56,000	\$ 56,700	0.12 to 8.90	2025
2000A-variable rate/weekly	54,845	56,620	2.99*	2029
2000B-variable rate/weekly	72,800	74,835	4.63*	2030
2004-variable rate/weekly	86,075	88,175	3.51*	2033
2006-fixed rate	219,340	231,160	4.00 to 5.00	2035
2008B&C-variable rate/daily	130,000	130,000	3.84*	2037
2009A-fixed rate	305,000	-	3.00 to 5.00	2039
Tax-exempt commercial paper	6,155	149,875	0.35 to 4.10	2037
Bond Series 1987B-fixed rate	7,110	8,825	11.11	2012
Taxable commercial paper	127,875	60,911	0.20 to 4.80	-
2009 Taxable-fixed rate	500,000	-	4.35 to 5.45	2019
Industrial Development Agency				
2000-fixed rate	2,275	3,330	5.13 to 5.25	2011
2002A-variable rate/weekly	42,340	42,530	4.52*	2030
2002B-variable rate/weekly	15,390	15,390	4.33*	2015
2008A-variable rate/daily	70,000	70,000	3.84*	2037
Student Loan Marketing Association-fixed rate	4,700	5,030	5.75 to 6.50	2019
Urban Development Corporation	2,500	2,625	-	2029
Other	2,973	3,164	various	2010-2029
Total bonds and notes payable	<u>\$ 1,705,378</u>	<u>\$ 999,170</u>		

* Rates presented are the swap interest rates as noted in the following Summary of Interest Rate Swaps table.

The University's bonds and notes payable had carrying amounts of \$1,705,378 and \$999,170 at June 30, 2009 and 2008, respectively, compared to estimated fair values of approximately \$1,741,026 and \$1,001,739 at June 30, 2009 and 2008, respectively. Estimated fair value of bonds is based on quoted market prices for the same or similar issues. The market prices utilized reflect the amounts a third party would pay to purchase the bonds and not an additional liability to the University.

Interest expense during the fiscal year ended June 30, 2009 was \$26,041, of which \$23,042 was related to the bonds and notes payable displayed in the table above. During the fiscal year ended June 30, 2008, interest expense was \$27,784, of which \$25,926 was related to the bonds and notes payable. The University capitalized interest on self-constructed assets, such as buildings, in the amount of \$15,438 and \$9,698 for the fiscal years ended June 30, 2009 and 2008, respectively.

Debt and debt service related to borrowings by New York State for the construction and renovation of facilities of the Contract Colleges are not included in the consolidated financial statements because they are not liabilities of the University.

Under the agreement with DASNY, certain revenues, principally rental income from facilities financed by bond proceeds plus a portion of tuition, are pledged by the University to meet debt service requirements. Also, certain revenue bonds require compliance with an asset-to-liability ratio and an unencumbered securities-to-operating-expense ratio.

During the fiscal year ended June 30, 2009, the University issued \$305,000 of fixed-rate debt to finance various capital projects on the Ithaca and Medical College campuses and to refinance \$150,000 of tax-exempt commercial paper. In addition, the University issued \$500,000 of taxable fixed-rate debt for working capital purposes.

The University continues to issue both tax-exempt and taxable commercial paper. Tax-exempt commercial paper is used to finance capital projects and equipment purchases for the Ithaca and Medical College campuses. Taxable commercial paper is also used for these purposes, as well as to finance short-term working capital needs. The maximum amount outstanding at any one time under each program is \$200,000.

Scheduled principal and interest payments on bonds and notes for the next five fiscal years and thereafter are shown below:

ANNUAL DEBT SERVICE REQUIREMENTS			
Year	Principal	Interest	Total
2010	\$ 22,556	\$ 67,019	\$ 89,575
2011	26,761	69,704	96,465
2012	33,072	67,266	100,338
2013	32,303	65,891	98,194
2014	282,445	64,631	347,076
Thereafter	1,308,241	597,662	1,905,903
Total	\$ 1,705,378	\$ 932,173	\$ 2,637,551

In estimating future interest payments, the University uses the interest rate associated with the swap agreement until the termination date. For unhedged tax-exempt debt, the University estimates the future interest payments based on SIFMA plus 50 basis points, and for taxable commercial paper debt, the federal funds rate plus 100 basis points.

B. Interest Rate Swaps

The University has eleven interest rate swap agreements to exchange variable-rate debt for fixed-rate obligations without the exchange of the underlying principal amount. Net payments or receipts under the swap agreements are recorded as adjustments to interest expense. Under three agreements in effect at June 30, 2009, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index, and under eight other agreements, the counterparty pays a variable interest rate equal to a percentage of the one month London Interbank Offered Rates (LIBOR).

Effective for the fiscal year beginning July 1, 2008, the University adopted FAS 157, which established additional guidance and disclosure requirements for fair value measurements of assets and liabilities, including derivatives. Interest rate swaps are valued using significant other observable inputs, such as quotations received from counterparties, dealers, or brokers, whenever available and considered reliable. The University's interest rate swap arrangements have inputs that can generally be corroborated by market data and are therefore classified as Level 2 in the FAS 157 valuation hierarchy.

The University's interest rate swaps are summarized in the following table:

SUMMARY OF INTEREST RATE SWAPS

Notional amount	Interest rate	Commencement	Termination date	Basis	Level 1 fair value	Level 2 fair value	Level 3 fair value
\$ 15,390	4.33%		July 1, 2010	SIFMA	\$ -	\$ (612)	\$ -
106,620	2.99%		October 1, 2012	LIBOR	-	(6,943)	-
42,530	4.52%		July 1, 2030	SIFMA	-	(8,379)	-
74,200	4.63%		July 1, 2030	LIBOR	-	(15,075)	-
88,175	3.51%		July 1, 2033	LIBOR	-	(8,373)	-
200,000	3.84%		July 1, 2037	SIFMA	-	(8,918)	-
100,000	3.92%	July 1, 2011	July 1, 2038	LIBOR	-	(9,564)	-
200,000	3.45%	July 1, 2010	July 1, 2039	LIBOR	-	(13,212)	-
275,000	3.65%	July 1, 2010	July 1, 2040	LIBOR	-	(32,414)	-
200,000	3.48%	July 1, 2012	July 1, 2041	LIBOR	-	(8,332)	-
200,000	3.77%	July 1, 2014	July 1, 2044	LIBOR	-	(12,844)	-
					\$ -	\$ (124,666)	\$ -

C. Standby Purchase Agreements

The University has standby purchase agreements with various financial institutions to purchase all of the University's variable-rate demand bonds in the event they cannot be remarketed. In the event that the bonds covered by these agreements were not remarketable and the agreements were not otherwise renewed, the principal amounts due in the Annual Debt Service Requirements table would be \$412,776, \$145,461, \$19,877, \$18,373, \$267,785, and \$841,105. Detailed information about the variable-rate demand bonds is shown in the following table:

SUMMARY OF STANDBY PURCHASE AGREEMENTS

Series	Provider	Fee (bps)	Expiration
1990B	JP Morgan Chase	50	Nov-09
2000A	JP Morgan Chase	50	Nov-09
2000B	JP Morgan Chase	50	Nov-09
2002A	JP Morgan Chase	50	Nov-09
2002B	JP Morgan Chase	50	Nov-09
2004	HSBC	40	Apr-10
2008A	JP Morgan Chase	100	Jan-10
2008B&C	Bank of America	20	Apr-11

D. Lines of Credit

The University records its working capital lines of credit as other liabilities in the consolidated statement of financial position. At June 30, 2009, the interest rates for its two lines of credit were 1.75 percent and 1.06 percent. The two \$100 million lines of credit have annual expiration dates of December 31 and April 1. As of June 30, 2009 and 2008, \$104,000 and \$164,500, respectively, were borrowed against the lines of credit.

9. OPERATING LEASES

Although the University generally purchases, rather than leases, machinery and equipment, the University does enter operating lease agreements for the use of real property. Total lease expenses were \$22,398 and \$18,058 for the fiscal years ended June 30, 2009 and 2008, respectively. The future annual minimum lease payments in the following table are payments under operating leases expiring at various dates through November 1, 2054.

ANNUAL MINIMUM OPERATING LEASE PAYMENTS

Year	Payments
2010	\$ 20,713
2011	17,612
2012	15,475
2013	13,838
2014	11,363
Thereafter	95,376
Total minimum operating lease payments	\$ 174,377

10. FUNCTIONAL EXPENSES AND STUDENT AID

Total expenses by functional categories for the fiscal years ended June 30 are as follows:

FUNCTIONAL EXPENSES		
	2009	2008
Instruction	\$ 628,635	\$ 597,606
Research	524,926	511,158
Public service	118,945	114,143
Academic support	267,973	267,222
Student services	123,477	119,858
Medical services	549,342	474,471
Institutional support	408,757	414,747
Enterprises and subsidiaries	202,446	209,708
Total expenses	\$ 2,824,501	\$ 2,708,913

The expenses for operations and maintenance of facilities, depreciation, and interest related to capital projects are allocated to functional categories based on square footage. The amounts allocated for operations and maintenance were approximately \$166,942 and \$154,430 for the fiscal years ended June 30, 2009 and 2008, respectively.

Student financial assistance is shown as a component of instruction expense unless the assistance is for tuition and mandatory fees. If the assistance is for tuition and mandatory fees, the amounts are recorded as scholarship allowance which reduces tuition revenue. Total financial assistance amounts classified as instruction expense were \$26,964 and \$24,106 for the fiscal years ended June 30, 2009 and 2008, respectively.

11. NET ASSETS

A. General Information

The University's net assets as of June 30 are as follows:

SUMMARY OF NET ASSETS

	Unrestricted	Temporarily restricted	Permanently restricted	2009 Total	2008 Total
Endowment					
True endowment	\$ 880,065	\$ -	\$ 1,680,920	\$ 2,560,985	\$ 3,535,217
Funds functioning as endowment (FFE)	971,437	303,867	-	1,275,304	1,712,792
Total true endowment and FFE	\$ 1,851,502	\$ 303,867	\$ 1,680,920	\$ 3,836,289	\$ 5,248,009
Funds held by others, perpetual	-	-	129,752	129,752	137,473
Total University endowment	\$ 1,851,502	\$ 303,867	\$ 1,810,672	\$ 3,966,041	\$ 5,385,482
Other Net Assets					
Operations	(478,612)	156,274	-	(322,338)	(35,702)
Student loans	9,477	-	34,517	43,994	42,241
Facilities and equipment	1,803,973	44,396	-	1,848,369	1,821,159
Split interest agreements	-	45,219	29,954	75,173	114,261
Funds held by others, other than perpetual	-	35,896	-	35,896	44,397
Contributions receivable, net	-	270,863	154,512	425,375	666,817
Total net assets	\$ 3,186,340	\$ 856,515	\$ 2,029,655	\$ 6,072,510	\$ 8,038,655

Unrestricted net asset balances for operations are primarily affected by operating activities and strategic decisions to invest expendable balances in funds functioning as endowment and capital projects.

B. Endowment

Of the endowment assets held at the University, 94 percent and 98 percent were invested in the LTIP at June 30, 2009 and 2008, respectively. At June 30, 2009, 2,434 of 5,828 true endowment funds invested in the LTIP had a total historic dollar value of \$940,568 and a fair value of \$814,139, resulting in these endowments being underwater by a total of \$126,429. The University holds significant unrestricted appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

Changes in the endowment net assets, exclusive of funds held in trust by others, for the fiscal years ended June 30 are presented below:

SUMMARY OF ENDOWMENT ACTIVITY

	Unrestricted	Temporarily restricted	Permanently restricted	2009 Total	2008 Total
True endowment and FFE beginning of year	\$ 3,518,475	\$ 173,825	\$ 1,555,709	\$ 5,248,009	\$ 5,113,094
Investment return					
Net investment income	2,802	9,980	2,628	15,410	47,203
Net realized and unrealized gain/(loss)	(1,471,709)	83,572	2,834	(1,385,303)	73,018
Total investment return	\$ (1,468,907)	\$ 93,552	\$ 5,462	\$ (1,369,893)	\$ 120,221
New gifts	2,821	143,780	103,209	249,810	158,751
Net transfers to/(from) FFE	(56,304)	(2,263)	83	(58,484)	11,360
Distribution of endowment return to other funds	(132,816)	(90,853)	(3,188)	(226,857)	(194,486)
Other changes	(8,885)	303	2,179	(6,403)	(1,080)
Reclassifications	(2,882)	(14,477)	17,466	107	40,149
Total true endowment and FFE end of year	\$ 1,851,502	\$ 303,867	\$ 1,680,920	\$ 3,836,289	\$ 5,248,009

12. CONTINGENT LIABILITIES

The University is a defendant in various legal actions, some of which are for substantial monetary amounts, that arise out of the normal course of its operations. Although the final outcome of the actions cannot be foreseen, the University's administration is of the opinion that eventual liability, if any, will not have a material effect on the University's financial position.

The University retains self insurance for property, general liability, and certain health benefits, and has an equity interest in a multi-provider captive insurance company.

13. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through October 1, 2009, the date on which the consolidated financial statements were issued.

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary, prepared by Bond Counsel, of certain provisions of the Loan Agreement pertaining to the Series 2010A Bonds and the 2010A Project. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

Duration of Agreement

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until other payments, expenses and fees payable thereunder by the University shall have been made or provision made for the payment thereof; provided, however, that pursuant to the Loan Agreement and the liabilities and the obligations of the University to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred and the obligations of the University under the Loan Agreement shall nevertheless survive any such termination. Upon such termination, an Authorized Officer of the Authority shall deliver such documents as may be reasonably requested by the University to evidence such termination and the discharge of its duties under the Loan Agreement.

(Section 43)

Construction of Projects

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

2. To the extent that moneys are available therefor, moneys in a Construction Fund shall be disbursed as the construction of the Project for which such fund was established progresses, but not more frequently than once a month, unless otherwise agreed to in writing by an Authorized Officer of the Authority, in amounts as shall be requested by the University pursuant to a request for disbursement as provided in the Loan Agreement, but not in excess of that reasonably determined by the Authority to be needed to reimburse the University for, or to pay, any costs and expenses constituting Costs of the Project previously paid or then due which were incurred by the University in connection with the Project.

Prior to the Authority making and delivering any certificate required to be delivered to the Trustee in connection with payments to be made pursuant to the Resolution for Costs of a Project, other than interest on Outstanding Bonds, the University shall deliver to the Authority the following:

copies of all invoices, paid or unpaid;

copies of front and back of cancelled checks, if any; and

a certificate of an Authorized Officer of the University certifying that the amount of money for which payment is requisitioned has been incurred or expended for items which constitute Costs of the Project for which such certificate is delivered.

3. The University will receive the disbursements of moneys in each Construction Fund to be made under the Loan Agreement, and will hold the right to receive the same, as a trust fund for the purpose of paying the Costs of the Project for which each disbursement was made, and will apply the same first to such payment before using any part thereof for any other purposes.

4. The University shall permit the Authority and its authorized representatives, at any time during normal business hours, to enter upon the property of the University, the Projects to inspect the Projects and all materials, fixtures and articles used or to be used in construction of the Projects, and to examine all Contract Documents. The University shall furnish to the Authority and its authorized representatives, when requested, copies of such Contract Documents. The University agrees to retain all documentation of expenditures for items which constitute Costs of the Project for at least seven (7) years after the date of completion of the Project to which such documentation relates.

5. An Authorized Officer of the Authority, in his sole and absolute discretion, may waive, from time to time, any of the conditions set forth in Section 5 of the Loan Agreement. Any such waiver shall not be deemed a waiver by the Authority of its right to thereafter require compliance with any such condition. The University acknowledges and agrees that disbursements from a Construction Fund are to be made by the Trustee and shall be made in accordance with the Resolution only upon receipt by the Trustee of the documents required by the Resolution to be executed and delivered in connection with such disbursements. The Authority agrees to provide the University with a copy of each certificate made by the Authority and delivered to the Trustee in connection with payments from a Construction Fund for the payment of Costs of Issuance.

6. A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the University which certificate shall be delivered as soon as practicable after the completion of such Project, or upon delivery to the Trustee and the University of a certificate signed by an Authorized Officer of the Authority and delivered at any time after completion of such Project. Any such certificate shall comply with the requirements of the Resolution. The Authority agrees that it will not execute and deliver any such certificate unless the Authority has notified the University in writing that, in the Authority's judgment, such Project has been completed substantially in accordance with the plans and specifications for such Project and has requested the University to execute and deliver the certificate provided for in subdivision 6 of Section 5 of the Loan Agreement and the University has failed to execute and deliver such certificate within thirty (30) days after such notice is given. The moneys, if any, remaining in the Construction Fund established for such Project after such Project has been deemed to be complete shall be paid as provided in the Resolution.

7. Notwithstanding the foregoing, if, on the date a Series of Bonds is issued a Project in connection with which such Series of Bonds is issued shall have been deemed to be complete as provided in the Loan Agreement or otherwise, the provisions of the Loan Agreement relating to the construction of Projects shall be inapplicable to such Project, unless such Project is amended to increase the scope thereof pursuant to the Loan Agreement, in which case the provisions thereof relating to the construction of Projects shall apply to such Project.

(Section 5)

Amendment of a Project; Cost Increases; Additional Bonds

A Project may be amended by the University with the prior written consent of an Authorized Officer of the Authority to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, improving, or otherwise providing, furnishing and equipping of a Project which the Authority is authorized to undertake.

The University shall provide such moneys as in the reasonable judgment of an Authorized Officer of the Authority may be required for the cost of completing a Project in excess of the moneys in the Construction Fund established for such Project, whether such moneys are required as a result of an increase in the scope of the project or otherwise. Such moneys shall be paid to the Trustee for deposit in the applicable Construction Fund within fifteen (15) days of receipt of notice from the Authority that such moneys are required.

No Contract Documents shall be entered into after the date of execution of the Loan Agreement and no material modification, addition or amendment to the Contract Documents shall be made after the date of execution thereof, including without limitation change orders materially affecting the scope or nature of a Project or where the cost of implementing the change exceeds \$50,000, without the prior written approval of an Authorized Officer of the Authority, which approval shall not be unreasonably withheld. The University agrees to furnish or cause to be furnished to the Authority copies of all change orders regardless of amount, upon the request of an Authorized Officer of the Authority therefor.

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

(Section 6)

Financial Obligations of the University; General and Unconditional Obligation; Voluntary Payments

1. Except to the extent that moneys are available therefor under the Resolution or under the Loan Agreement, including moneys in the Debt Service Fund, but excluding interest accrued but unpaid on investments held in the Debt Service Fund, the University unconditionally agrees to pay, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Series 2006A Bonds payments shall be made by the University in payment of the Authority Fee in the amounts set forth in the Loan Agreement to be applied against payment of the Authority Fee in connection with the issuance of the Series 2006A Bonds;

(b) On or before the date of delivery of Bonds of a Series, such amount, if any, as is specified in the Series Resolution authorizing the issuance of such Bonds or in the Bond Series Certificate relating to such Bonds, to pay the Costs of Issuance of such Bonds, and other costs in connection with the issuance of such Bonds;

(c) On the 20th day of the month preceding each interest payment date, the interest coming due on the Bonds on such interest payment date, provided that (i) for Variable Interest Rate Bonds for which the rate of interest may change during the period prior to such interest payment date, the interest rate for such period shall be assumed to be equal to the rate on the date of payment plus one percent and (ii) with respect to Variable Interest Rate Bonds bearing interest at a flexible rate or an auction rate, such payment shall be made on the Business Day preceding each interest payment date;

(d) On the 20th day of the month preceding the month in which the principal or a Sinking Fund Installment of Bonds becomes due, an amount equal to the principal and Sinking Fund Installments of such Bonds coming due;

(e) At least forty-five (45) (fifteen (15) in the case of Variable Interest Rate Bonds) days prior to any date on which the Redemption Price or purchase price in lieu of redemption of Bonds previously called for redemption or contracted to be purchased is to be paid, the amount required to pay the Redemption Price or purchase price in lieu of redemption of such Bonds;

(f) [RESERVED]

(g) On December 10 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with each Series of Bonds, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year; provided, however, that the Annual Administrative Fee payable shall become effective, with respect to the Series 2006A Bonds on the date set forth in the Loan Agreement and with respect to any other Series of Bonds on the date agreed to by the University and the Authority at the time Bonds of such Series are issued; and, provided, further, that the Annual Administrative Fee with respect to any Series of Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to such Series of Bonds multiplied by a fraction the numerator of which is the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

(h) 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 (i) for the Authority Fee then

unpaid, (ii) to reimburse the Authority for payments made pursuant to subdivision 5 of Section 9 of the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Loan Agreement, and the Resolution in accordance with the terms of the Loan Agreement and the Resolution, (iv) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution, and (v) for any external costs or expenses attributable to the issuance of a Series of Bonds or the financing or construction of a Project, including but not limited to any fees or other amounts payable under a Remarketing Agreement, a Credit Facility or a Liquidity Facility;

(i) On the date a Series of Bonds, other than the Series 2006A Bonds, is issued, an amount equal to the Authority Fee in connection with issuance of such Series of Bonds;

(j) 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 University as a result of an acceleration pursuant to the Loan Agreement;

(k) On the date of issuance of a Series of Bonds issued to pay or provide for the payment of outstanding notes of the Authority issued to finance a Project or to renew or refund notes issued for such purpose, an amount to be determined by an Authorized Officer of the Authority, which determination shall be binding on the University, equal to either (i) the principal of the notes originally issued to finance such Project that would have been paid during the period since the delivery of the notes to be paid or for which provision for payment is to be made, to the July 1 immediately succeeding the date such Bonds are issued, assuming that the principal of the notes originally to finance such Project were being amortized through annual payments of principal and interest payable on each July 1 succeeding the date on which such notes were issued to and including the July 1 next succeeding the twentieth (20th) anniversary of the date on which such notes were issued and that the amount of principal of and interest on such notes payable on any July 1 is as nearly equal as practicable to the amount of principal and interest payable on each other July 1 or (ii) such lesser amount determined by the Authority, which amount shall be specified in a Series Resolution;

(l) Immediately upon notice to the University by an Authorized Officer of the Authority, an amount equal to the purchase price of Option Bonds tendered for purchase which Bonds have not been remarketed pursuant to a Remarketing Agreement or purchased pursuant to a Credit Facility or Liquidity Facility;

(m) Immediately upon notice to the University by an Authorized Officer of the Authority, the amount, in immediately available funds, of the discount at which Option Bonds tendered or deemed tendered have been remarketed pursuant to a Remarketing Agreement; and

(n) Promptly upon demand by an Authorized Officer of the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds of a Series or otherwise available therefor under the Resolution and the amount of rebates, yield reduction payments, interest and penalty if any, required to be paid to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds of such Series.

(o) On the Business Day immediately preceding an interest payment date, if the amount on deposit in the Debt Service Fund is less than the amounts, respectively, required for payment of interest on the Outstanding Bonds, for the payment of principal on the Outstanding Bonds or for the payment of Sinking Fund Installments on the Outstanding Bonds due and payable on such interest payment date, the amount of any such deficiency.

(p) With respect to any Bonds held by a Liquidity Facility Issuer, promptly upon demand of an Authorized Officer of the Authority, any amounts due on such Bonds.

(q) Promptly upon demand by an Authorized Officer of the Authority, all amounts required to be paid by the Authority to a Qualified Hedge Provider in accordance with a Qualified Hedge or to reimburse the Authority for any amounts paid to a Qualified Hedge Provider in accordance with a Qualified Hedge.

Subject to the provisions of the Resolution and the Loan Agreement, the University shall receive a credit against the amount required to be paid by the University during a Bond Year pursuant to paragraph (d) of subdivision 1 of Section 9 of the Loan Agreement on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through Sinking Fund Installments payable on the next succeeding principal payment date, the University delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such date. The amount of the credit shall be equal to the principal July amount of the Bonds so delivered and cancelled prior to the date notice of redemption thereof is given.

The Authority directs the University, and the University agrees, to make the payments required by paragraphs (c), (d), (e), (j) and (o) of subdivision 1 of Section 9 of the Loan Agreement directly to the Trustee for deposit in the Debt Service Fund and application in accordance with the Resolution, the payments required by paragraph (b) of subdivision 1 of Section 9 of the Loan Agreement directly to the Trustee for deposit in a Construction Fund or other fund established under the Resolution, as directed by an Authorized Officer of the Authority, the payments required by paragraph (n) of subdivision 1 of Section 9 of the Loan Agreement directly to the Trustee for deposit in the Arbitrage Rebate Fund, the payments required by paragraph (k) of subdivision 1 of Section 9 of the Loan Agreement as directed by an Authorized Officer of the Authority, the payments required by paragraphs (a), (g), (h), (i), (l), (m), (p) and (q) of subdivision 1 of Section 9 of the Loan Agreement directly to or upon the order of the Authority.

2. Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in subdivision 2 of Section 9 of the Loan Agreement), all moneys paid by the University to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied in reduction of the University's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in subdivision 2 of Section 9 of the Loan Agreement), (i) all moneys paid by the University to the Trustee pursuant to paragraphs (c), (d), (e), (j) and (o) of subdivision 1 of Section 9 of the Loan Agreement (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 University's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of subdivision 2 of Section 9 of the Loan Agreement) held by it in the Construction Fund to the Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the University of a payment in satisfaction of the University's indebtedness to the Authority with respect to the Redemption Price of the 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 Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Bonds.

3. The obligations of the University to make payments or cause the same to be made under the 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 University 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 University to complete a Project or the completion thereof with defects, failure of the University to occupy or use a Project, any declaration or finding that the Bonds or any Series of Bonds are, or the Resolution is, invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part in the Loan Agreement contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the University may institute such action as it may deem necessary to compel performance or recover damages for non-

performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the University for, or to pay, the Costs relating to a Project, beyond the extent of moneys available in the Construction Fund established for such Project,

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

4. An Authorized Officer of the Authority, for the convenience of the University, shall furnish to the University statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse nonpayment of the amounts payable at the time and in the manner provided in the Loan Agreement. The University shall notify the Authority as to the amount and date of each payment made to the Trustee or the Tender Agent by the University.

5. The Authority shall have the right in its sole discretion to make on behalf of the University any payment required pursuant to Section 9 of the Loan Agreement which has not been made by the University when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority pursuant to the Loan Agreement arising out of the University'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 University to make such payment.

6. The University, if it is not then in default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of an Authorized Officer of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the University, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Series of Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the University, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(Section 9)

Consent to Pledge and Assignment by the Authority

The University consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to the Loan Agreement to secure any payment or the performance of any obligation of the University pursuant to the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The University 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 the Loan Agreement, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided 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 University's obligation to make all payments required under the Loan Agreement and to performing all other obligations required to be performed by the University under the Loan Agreement.

The University covenants, warrants and represents that it is or, with response to actions to be taken after the date of execution of the Loan Agreement, would be duly authorized by all applicable laws, its charter and by-laws or Resolution adopted pursuant thereto to enter into the Loan Agreement, any Remarketing Agreement and any Liquidity Facility, to incur the indebtedness contemplated thereby. The University further covenants that the provisions thereof are and shall be valid and legally enforceable obligations of the University in accordance with their terms. The University further covenants, warrants and represents that the execution and delivery thereof, and the consummation of the transaction contemplated and compliance with the provisions thereof, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-

laws of the University or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the University is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the University or any of its properties.

(Section 10)

Management Consultant

If at any time the rating on any Outstanding Bonds or on any of the University's long term unsecured, unenhanced debt obligations is reduced by Moody's Investor Service, Inc. ("Moody's") to "A1" or by Fitch, Inc ("Fitch") or Standard & Poor's Rating Services ("S&P") to "A+", the Authority may request the University to engage, at the University's expense, a Management Consultant, which the University hereby agrees to engage within sixty (60) days after such request is made; and, if at any time the rating on any Outstanding Bonds or on any of the University's long term unsecured, unenhanced debt obligations is reduced by Moody's to less than "A1" or by Fitch or S&P to less than "A+" or if any rating is suspended or withdrawn by Moody's, Fitch or S&P, the University, at the University's expense, shall and hereby agrees to engage a Management Consultant within sixty (60) days after such reduction, suspension or withdrawal, unless the Authority has waived such obligation which it may do in its sole discretion. The Management Consultant shall review the fees and tuition, operations and management of the University and any other matter deemed appropriate by the Authority and make such recommendations with respect to such fees and tuition, operations, management and other matters. Copies of the report and recommendations of the Management Consultant shall be filed with the Authority, the Trustee, the Board of Trustees of the University and an Authorized Officer of the University no later than one hundred twenty (120) days following the date of engagement of such Management Consultant. The Board of Trustees of the University and such Authorized Officer of the University shall each deliver to the Authority no later than sixty (60) days following the date of filing with the Authority of the report and recommendations of the Management Consultant a written report setting forth their respective comment and reaction to the report and recommendations of the Management Consultant. The University shall, to the extent feasible, promptly upon its receipt of such recommendations, and subject to applicable requirements or restrictions imposed by law or regulation, revise its tuition, fees and charges, its methods of operation or collections or its debt and investment management and shall take such other action as shall be in conformity with such recommendations. The University shall deliver to the Authority and the Trustee:

(i) within forty-five (45) days of receipt of such Management Consultant's report (x) a report setting forth in reasonable detail the steps the University proposes to take to implement the recommendations of such Management Consultant, and (y) a certified copy of a resolution adopted by the Board of Trustees of the University accepting both the Management Consultant's report and the report prepared by the University as required in clause (x) hereof; and

(ii) within thirty (30) days after the end of each calendar quarter a report demonstrating the progress made by the University in implementing the recommendations of the Management Consultant.

Notwithstanding the foregoing provisions of this Section, the University may elect in lieu of engaging a Management Consultant to provide security in form and substance acceptable to the Authority in its sole discretion for the University's obligations under this Loan Agreement or any Liquidity Facility and/or Credit Facility.

(Section 14)

Maintenance of Corporate Existence

The University covenants that it will maintain its corporate existence, will continue to operate as an institution for higher education, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for the continued operation of the University as an institution for higher education providing such programs of instruction as it may from time to time determine, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that if no Event of Default shall have occurred and be continuing and prior written notice shall have been given to the Authority and the Trustee, the University may (i) sell or otherwise transfer all or substantially all of its assets to,

or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c) (3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of counsel satisfactory to the Authority adversely affect the exemption from federal income tax of the interest paid or payable on the Bonds, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c) (3) of the Code or any successor provision of federal income tax law, and (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the University under the Loan Agreement and under any Remarketing Agreement, any Liquidity Facility, any Credit Facility and furnishes to the Authority a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation shall be in compliance with each of the provisions of the Loan Agreement and shall meet the requirements of the Act. Furthermore, such sale, transfer, consolidation, merger, acquisition or other disposition shall occur only if, after giving effect to such sale, transfer, consolidation, merger, acquisition or other disposition, (x) no Event of Default would exist under the Loan Agreement or under the Resolution and, (y) the surviving, resulting or transferee corporation is in compliance with the covenants contained in Sections 11, 12 and 13 the Loan Agreement on the date of such sale, transfer, consolidation, merger, acquisition or other disposition.

(Section 18)

Tax-Exempt Status

The University 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. The University 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 University 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, enter into any agreement or use or permit a Project to be used in any manner, or for any trade or business unrelated to the educational purposes of the University, which could adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

The University warrants, represents and covenants that (i) at least ninety-five percent (95%) of the net proceeds of Bonds (calculated in accordance with Section 150(a) (3) of the Code) shall not be used in the trade or business of any person other than an organization described in Section 501(c) (3) of the Code or a governmental unit and (ii) all property acquired, constructed or renovated with moneys derived from the net proceeds of Bonds will be owned (within the meaning of the Code) by an organization described in Section 501(c) (3) of the Code or a governmental unit.

(Section 16)

Arbitrage; Rebate Calculations

1. (a) The University and the Authority covenant that they shall take no action, nor approve the Trustee’s taking any action or making any investment or use of the proceeds of Bonds, which would cause the Bonds or any Series of Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. (b) The University, or any related person, as defined in Section 147 (a) (2) of the Code, shall not, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of any obligation to be acquired from the University by the Authority. The University will, on a timely basis, provide the Authority with all necessary information and funds not in the Authority’s possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code.

The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of rebate, yield reduction payments and interest and penalties and the payment of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the University and its agents and representatives, any of whom may make copies thereof. Upon written request therefor from the University the Authority shall as soon as practicable provide the University with a copy of any such document, report or computation. The Authority shall also provide the University with a copy of all documents or reports filed with the Department of Treasury of the United States of America relating to the foregoing.

(Section 36)

Use of Projects

The University agrees that at least ninety-five percent (95%) of the Projects shall be occupied or used only by or for students or members of the faculty or staff of the University, or, on a temporary basis, persons connected with educational, research or other activities incidental to the operations of the University, subject to and consistent with the requirements of the Loan Agreement. Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the University shall have sole and exclusive control of, possession of and responsibility for (i) the Projects; (ii) the operation of the Projects and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of the Project.

(Section 20)

Covenant as to Insurance

1. The University shall procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily maintained by institutions for higher education providing programs substantially similar to those of the University.

2. In addition to any insurance maintained in accordance with subdivision 1 of Section 23 of the Loan Agreement, the University shall, at the times specified in the following paragraphs, procure and maintain, or cause to be procured and maintained, all insurance required by Section 23 of the Loan Agreement in accordance with the terms and conditions thereof, from responsible insurers acceptable to an Authorized Officer of the Authority, as follows:

(a) builders risk insurance with respect to any building constituting a part of the Projects the construction of which shall not have been completed (and until insurance is procured pursuant to paragraph (b) of subdivision 2 of Section 23 of the Loan Agreement), coverage to be written on all risk form. The amount of such insurance shall be on a one hundred percent (100%) replacement value basis on the insurable portion;

(b) all risk property insurance at all times (except during a period when builders risk insurance is in effect as required by paragraph (a) of subdivision 2 of Section 23 of the Loan Agreement) insuring against direct physical loss or damage to the Projects; provided, however, that if the Projects are insured under a blanket insurance policy or policies of the University, policy limits and coverage shall comply with the provisions of paragraph (b) of subdivision 2 of Section 23 of the Loan Agreement; provided further, however, that each such policy shall be in an amount sufficient to prevent the University and the Authority from becoming co-insurers under the applicable terms of the policy;

(c) business interruption and extra expense insurance in amounts considered sufficient by the Authority;

(d) comprehensive boiler and machinery coverage including extra expense and business interruption, commencing with the date on which the Project or any part thereof is completed or first occupied, or any covered equipment or machinery is accepted, whichever occurs earlier; limits shall be in an amount considered sufficient by the Authority;

(e) commercial general liability insurance at all times protecting the Authority (as an additional insured) and the University from loss resulting from legal obligations caused by bodily injury and property damage with limits of not less than \$2,000,000 annual aggregate and \$1,000,000 per occurrence;

(f) professional liability insurance providing protection for loss resulting from legal obligations caused or allegedly caused by malpractice or alleged malpractice, with limits of at least in the amount in effect at the time of execution of the Loan Agreement but in any event not less than \$1,000,000 per occurrence and \$2,000,000 annual aggregate;

(g) at all times, workers compensation insurance and disability benefits insurance providing coverage as required by statute; and

(h) such other kinds of insurance in such amounts as from time to time may be reasonably required by the Authority.

3. Any insurance procured and maintained by the Authority or the University pursuant to Section 23 of the Loan Agreement, including any blanket insurance policy, may include reasonable deductible provisions satisfactory to an Authorized Officer of the Authority and the University. In determining whether or not any insurance required by Section 23 of the Loan Agreement is generally obtainable or if the deductible on any such insurance is a reasonable deductible, the Authority may rely solely and exclusively upon the advice and judgment of an Insurance Consultant, and any such decision by the Authority, based upon such advice and judgment, shall be conclusive.

4. The University may self insure if the following requirements are met:

(a) The University obtains the prior written approval of the Authority;

(b) The self insurance has been reviewed by an Insurance Consultant;

(c) The self-insurance program includes an actuarially sound claims reserve fund out of which each self-insured claim shall be paid. The adequacy of such fund shall be evaluated on an annual basis. Any deficiency in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the Insurance Consultant;

(d) The self-insured claims reserve fund shall be held in the United States of America in a separate trust fund by an independent corporate trustee; and

(e) In the event the current funding of the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an Insurance Consultant, shall be maintained.

In no event shall the University self insure against casualty losses to any real or personal property owned, leased or used by it, including plant, property and equipment in an amount exceeding \$1,000,000.

5. Each policy maintained pursuant to subdivision 2 of Section 23 of the Loan Agreement or the requirements of the Authority shall provide that the insurer writing such policy shall give at least thirty (30) days notice in writing to the Authority of the cancellation or non-renewal or material change in the policy unless a lesser period of notice is expressly approved in writing by the Authority. The University, not later than August 15 of each year, shall provide to the Authority a list describing all policies of insurance maintained by the University pursuant to Section 23 of the Loan Agreement stating with respect to each such policy (i) the insurer, (ii) the insured parties or loss payees, (iii) the level of coverage, and (iv) such other information as an Authorized Officer of the Authority may have reasonably-requested.

6. All policies and certificates of insurance shall be open to inspection by the Authority and the Trustee at all reasonable times. Prior to making any change in such insurance which would reduce the amount of coverage or increase the deductible, the University shall notify the Authority and the Trustee of such change which notice shall describe the proposed change in reasonable detail.

7. All policies of insurance required pursuant to subdivision 2 of Section 23 of the Loan Agreement, other than policies of workers' compensation insurance, shall include the Authority and the University, as named insureds or as loss payee as their interests may appear.

8. In the event the University fails to provide the insurance required by Section 23 of the Loan Agreement, the Authority may elect at any time thereafter to procure and maintain the insurance required by Section 23 of the Loan Agreement at the expense of the University. The policies procured and maintained by the Authority shall be open to inspection by the University at all reasonable times, and, upon request of the University, a complete list describing such policies as of the June 30 preceding the Authority's receipt of such request shall be furnished to the University by the Authority.

(Section 23)

Defaults and Remedies

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

the University shall default in the timely payment of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement or the Resolution, and such default continues for a period in excess of ten (10) days;

the University defaults in the due and punctual performance of any other covenant in the Loan Agreement contained 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 can not be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the University within such period and is diligently pursued until the default is corrected;

as a result of any default in payment or performance required of the University 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 Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;

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

a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the University, 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 University, or any petition for any such relief shall be filed against the University and such petition shall not be dismissed within ninety (90) days;

the charter of the University shall be suspended or revoked;

a petition shall be filed by the University with the Board of Regents of the University of the State of New York, the legislature of the State of New York or other governmental authority having jurisdiction over the University to dissolve the University;

an order of dissolution of the University shall be made by the Board of Regents of the University of the State of New York, the legislature of the State of New York or other governmental authority having jurisdiction over the University which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

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

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 University, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

a final judgment for the payment of money 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 University and at any time after thirty (30) days from the entry thereof, (i) such judgment shall not have been discharged, or (ii) the University shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

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

(a) declare all sums payable by the University under the Loan Agreement immediately due and payable;

(b) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or any Construction Fund or otherwise to which the University 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;

(c) withhold any or all further performance under the Loan Agreement;

(d) maintain an action against the University under the Loan Agreement to recover any sums payable by the University or to require its compliance with the terms of the Loan Agreement;

(e) to the extent permitted by law, (i) enter upon a Project and complete the construction of any 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 University, consent to such entry being given by the University, (ii) at any time discontinue any work commenced in respect of the construction of any Project or change any course of action undertaken by the University and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the University in any way relating to the construction of any Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the University, whether or not previously incorporated into the construction of such Project, and (iv) in connection with the construction of any Project undertaken by the Authority pursuant to the provisions of paragraph (e) of subdivision 2 of Section 29 of the Loan Agreement, (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 a Project or against any moneys of the Authority applicable to the construction of a Project, or which have been or may be incurred in any manner in connection with completing the construction of a Project or for the discharge of liens, encumbrances or defects in the title to a Project or against any

moneys of the Authority applicable to the construction of a Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The University shall be liable to the Authority for all sums paid or incurred for construction of any Project whether the same shall be paid or incurred pursuant to the provisions of paragraph (e) of subdivision 2 of Section 29 of the Loan Agreement 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 University to the Authority upon demand. For the purpose of exercising the rights granted by this subparagraph during the term of the Loan Agreement, the University 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 University; and

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

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 subdivision 2 of Section 29 of the Loan Agreement and its consequences if such Events of Default shall be cured. No such annulment shall extend or affect any subsequent default or impair any right consequent thereto.

(Section 29)

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**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary, prepared by Bond Counsel, of certain provisions of the Resolution. Such summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

Resolution Constitutes a Contract

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds, over any other Bonds except as expressly provided in the Resolution or permitted thereby.

(Section 1.03)

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues, the rights of the Authority to receive all payments to be made under the Loan Agreement that are to be deposited with the Trustee, and all funds and accounts, excluding the Arbitrage Rebate Fund, established under the Resolution and by any Series Resolution are 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 Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under any Series Resolution, all in accordance with the provisions thereof. The pledge made under the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of any Bonds, the Revenues, the right of the Authority to receive payments to be made under the Loan Agreement that are to be deposited with the Trustee, and all funds and accounts, excluding the Arbitrage Rebate Fund, established under the Resolution and by any 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 shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of any Bonds, the Revenues, the right of the Authority to receive payments to be made under the Loan Agreement that are to be deposited with the Trustee, and all funds and accounts, excluding the Arbitrage Rebate Fund, established under the Resolution and by any Series Resolution, which pledge shall constitute a first lien thereon.

Notwithstanding anything to the contrary contained in the Resolution, the Authority may incur Credit/Liquidity Facility Obligations which are payable from the Revenues on a parity with the Bonds and which are secured by a lien upon or pledge of the Revenues which is of equal priority with the lien created and the pledge made under the Resolution.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established and shall be held and maintained by the Trustee, except that a separate Construction Fund shall be established for each Project pursuant to a Series Resolution or other resolution authorizing the issuance of Notes, and each such Construction Fund shall be held and maintained by the Trustee:

Debt Service Fund

Arbitrage Rebate Fund

If prior to the adoption of a Series Resolution authorizing the issuance of Bonds to finance the Costs of a Project and a Construction Fund for such Project has been established, such Series Resolution may make reference to such Construction Fund and need not create a further such fund.

All moneys at any time deposited in any fund created under the Resolution, other than the Arbitrage Rebate Fund, or by a Series Resolution or required under the Resolution or under the Series Resolution to be created shall be held in trust for the benefit of the Holders of Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

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

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

(Section 5.03)

Application of Moneys in the Construction Fund

As soon as practicable after the delivery of each Series of Bonds, the Trustee shall deposit in the Construction Fund or Funds established for the Project or Projects in connection with which such Series of Bonds was issued the amount required to be deposited therein pursuant to the Series Resolution authorizing the issuance of such Series or the Bond Series Certificate relating to such Series.

Except as otherwise provided in the Resolution and in any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of Bonds and the Costs of the Project for which such fund was established. For purposes of internal accounting, a Construction Fund may contain one or more subaccounts, as the Authority or the Trustee may deem proper.

Payments for Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment and the respective amount of each such payment. Payments for Costs of a Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority, substantiated by a certificate filed with the Authority signed by an Authorized Officer of the University, 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 the Project to which such certificate relates, except that payments to pay interest on Bonds shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Construction Fund to the Debt Service Fund.

Any proceeds of condemnation or eminent domain awards received by the Trustee, the Authority or the University with respect to a Project shall be applied in accordance with the Loan Agreement and, if necessary, the Construction Fund established for such Project may be re-established for such purpose.

A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the University which certificate shall be delivered as soon as practicable after completion of such Project or upon delivery to the Trustee and the University of a certificate signed by an

Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall identify the Project to which it relates, 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 the University, specify the date of completion.

Upon receipt of a certificate delivered pursuant to this subdivision, the moneys, if any, then remaining in the Construction Fund established for the Project to which such certificate relates, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

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

To the Debt Service Fund or, upon the direction of an Authorized Officer of the Authority, to one or more of the Construction Funds, or to both, in the respective amounts set forth in such direction, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

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

First: To the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until December 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds payable on or prior to the next succeeding January 1, including the interest estimated by the Authority to be payable on Variable Interest Rate Bonds on and prior to the next succeeding January 1, (b) the Sinking Fund Installments of Outstanding Bonds becoming due and payable on or prior to the next succeeding January 1, and (c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to Section 5.06 of the Resolution on or prior to the next succeeding January 1, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds becoming due and payable on or prior to the next succeeding July 1, including the interest estimated by the Authority to be payable on Variable Interest Rate Bonds on and prior to such July 1 and (b) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to Section 5.06 of the Resolution on or prior to the next succeeding July 1, plus accrued interest thereon to the date of purchase or redemption; and

Second: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Projects, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the 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 Second.

The Trustee shall notify the Authority and the University promptly after making the payments required by Section 5.05 the Resolution, of any balance of Revenues then remaining. After making the payments required by Section 5.05 the Resolution, the balance, if any, of the Revenues then remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Construction Fund or the Debt Service Fund, or paid to the University, in the respective amounts set forth in such direction. Any amounts paid to the University shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

(Section 5.05)

Debt Service Fund

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

- (a) the interest due and payable on all Outstanding Bonds on such interest payment date;
- (b) the principal amount due and payable on all Outstanding Bonds on such interest payment date; and
- (c) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds on such interest payment date.

The amounts paid out pursuant to Section 5.06 of the Resolution shall be irrevocably pledged to and applied to such payments.

Notwithstanding certain provisions of Section 5.06 of the Resolution, the Authority may, at any time subsequent to July 1 of any Bond Year but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date, provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

Notwithstanding certain provisions of Section 5.06 of the Resolution, the University pursuant to the Loan Agreement may deliver, at any time subsequent to July 1 of any Bond Year, but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, to the Trustee for cancellation one or more Term Bonds of the Series and maturity to be so redeemed on such date from such Sinking Fund Installment. Any Term Bond so delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; provided, however, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

Moneys in the Debt Service Fund in excess of the amount required to pay the principal of Outstanding Bonds payable on or prior to the next succeeding July 1, the interest on Outstanding Bonds payable on the next succeeding interest payment date and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be retained therein or applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to: (i) the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times and in such manner as an Authorized Officer of the Authority shall direct; (ii) to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds; or (iii) to the defeasance of the Bonds in accordance with Section 12.01 of the Resolution.

(Section 5.06)

Arbitrage Rebate Fund

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

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be paid (as rebate, yield, reduction payments, interest, penalties or otherwise) to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so paid shall be deposited to the Debt Service Fund in accordance with the directions of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of earnings on the investment of proceeds of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund all or a portion of the amount that the Authority has determined may be required by the Code to be paid (as rebate, yield reduction payments, interest, penalties or otherwise) to the Department of the Treasury of the United States of America, and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be paid thereto (as rebate, yield reduction payments, interest, penalties or otherwise).

Excess moneys in the Arbitrage Rebate Fund pursuant to Section 5.08 of the Resolution shall be deposited to the Revenue Fund in accordance with the directions of such Authorized Officer.

(Section 5.07)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions thereof, if at any time the amounts held in the Debt Service Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and unpaid and to accrue on such Bonds to the next date on which all such Bonds are redeemable, or to make provision pursuant to subdivision 2 of Section 12.01 of the Resolution for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the University. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds under the Resolution and by each Series Resolution, or (ii) give the Trustee irrevocable instructions in accordance with subdivision 2 of Section 12.01 of the Resolution and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.08)

Investment of Funds and Accounts Held by the Trustee

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

In lieu of the investments of moneys in obligations authorized in Section 6.02 of the Resolution, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest moneys in the Construction Fund in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan

associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation; (ii) Exempt Obligations or (iii) Investment Agreements; provided that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes thereof, (x) all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value determined by the Trustee or its agent on a daily valuation equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be free and clear of claims of any other person.

Obligations purchased or other investments made as an investment of moneys in any fund or account held by the Trustee under the provisions thereof shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, obligations purchased as an investment of moneys therein or held therein shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee upon receipt of such direction shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in Section 6.02 of the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and the University in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions thereof as of the end of the preceding month and as to whether such investments comply with the provisions of Section 6.02 of the Resolution. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(Section 6.02)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the 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 Section 5.06 or Section 12.01 of the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any 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 Resolution as an investment of such moneys.

(Section 6.01)

Refunding Bonds and Additional Obligations

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds 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 Section 2.04 the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds or the Bond Series Certificate relating to such Series of Refunding Bonds.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Resolution) of:

If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

Irrevocable instructions to the Trustee, satisfactory to it, to give the notice provided for in Section 12.01 of the Resolution to the Holders of the Bonds being refunded;

Either (i) moneys in an amount sufficient to effect payment at maturity or at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of said Section 12.01 of the Resolution, which Defeasance Securities and moneys shall be held in trust and used only as provided in said Section; and

A certificate of an Authorized Officer of the Authority containing such additional statements as may be reasonably necessary to show compliance with the requirements of Section 2.04 of the Resolution.

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 or the Bond Series Certificate relating to such Series of 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, or prior or equal to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution unless expressly permitted by Section 7.06 of the Resolution.

(Sections 2.04 and 2.06)

Creation of Liens

Except as permitted by the Resolution, the Authority shall not create or cause to be created any lien or charge prior or equal to the Bonds on the proceeds from the sale of any Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Loan Agreement that are to be deposited with the Trustee or the funds and accounts established by the Resolution and by any Series Resolution which are pledged by the Resolution; provided, however, that the Authority may (i) issue bonds, notes or other obligations or otherwise incur indebtedness under another and separate resolution or agreement so long as the charge or lien created thereby is not prior or equal to the charge or lien created by the Resolution, (ii) incur Credit/Liquidity Facility Obligations which are secured by a lien upon and pledge of the Revenues which lien and pledge is of equal priority with the lien created and pledge made by the Resolution.

(Section 7.06)

Tax Exemption; Rebate

In order to maintain the exclusion from gross income for Federal income tax purposes, the Authority shall comply with the provisions of the Code applicable to the Bonds of a Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of a Series of Bonds, reporting of earnings on the Gross Proceeds of a Series of Bonds, and rebates of Excess Earnings to the Department of the Treasury of the United States of America (all as defined in the Code). In furtherance of the foregoing, the Authority shall comply with the provisions of the Tax Certificate.

The Authority shall not take any action or fail to take any action which would cause the Bonds of a Series to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

Notwithstanding any other provision thereof to the contrary, the Authority’s failure to comply with the provisions of the Code applicable to the Bonds of a Series shall not entitle the Holder of Bonds of any other Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority’s failure to comply with the provisions of Section 7.14 of the Resolution or of the Code.

(Section 7.14)

Events of Default

An event of default shall exist under the Resolution and under each Series Resolution (called “event of default”) if:

Payment of the principal, Sinking Fund Installment, if any, or Redemption Price of any Bond shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

Payment of an installment of interest on any Bond shall not be made when the same shall become due and payable; or

The Authority shall default in the due and punctual performance of the covenants contained in the Resolution and, as a result thereof, the interest on the Bonds of a Series shall no longer be excludable from gross income under Section 103 of the Code; or

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

An “Event of Default”, as defined in the Loan Agreement, arising out of or resulting from the failure of the University to comply with the requirements of the Loan Agreement shall have occurred and is continuing and all sums payable by the University under the Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in Section 11.02 of the Resolution, other than paragraph (c) thereof, then and in every such case the Trustee may, and upon the written request of the Holders of not less than twenty-five per cent (25%) in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds to be due and payable. At the expiration of thirty (30) days from 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 the Bonds or any Series Resolution to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under each Series Resolution 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 (other than a default in the payment of the principal of such Bonds then due only because of a declaration under Section 11.02 of the Resolution) or in the Bonds or any Series Resolution 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 Section 11.02 of the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of the happening and continuance of an event of default specified in paragraph (c) of Section 11.02 of the Resolution, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall, proceed (subject to the provisions in the Resolution), to protect and enforce its rights and the rights of the Holders of the Bonds under the laws of the State or under the Resolution or under any Series Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution and under any Series Resolution or in aid or execution of any power granted in the Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

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

(Section 11.04)

Consent of Facility Provider

Whenever by the terms of the Resolution, the consent of any of the Holders of the Bonds to a modification or amendment of the Resolution made by a Series Resolution or Supplemental Resolution is required, such modification or amendment shall not become effective until the written consent of each Facility Provider has been obtained; provided, however, that the consent of a Facility Provider which has provided a Credit Facility or a Liquidity Facility shall not be required unless the modification or amendment requires the consent of the Holders of any percentage in principal amount of Outstanding Bonds or of the Holders of any percentage in principal amount of the Bonds of the Series in connection with which such Credit Facility or Liquidity Facility was provided. No modification or amendment of the Resolution which adversely affects a Facility Provider shall be made without the

written consent thereto of the Facility Provider affected thereby. Notice of the adoption of any such Series Resolution or Supplemental Resolution and of the effectiveness of the modification or amendment made thereby shall be given to each Facility Provider by mail at the times and in the manner provided in the Resolution with respect to notices thereof required to be given to the Holders of the Bonds. Notice thereof shall also be given to each Rating Agency as soon as practical after adoption of such supplemental Resolution and of the effectiveness thereof.

(Section 10.04)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of a majority in principal amount of the Outstanding Bonds or, in the case of an event of default specified in paragraph (i) of Section 11.02 of the Resolution, the Holders of a majority in principal amount of the Outstanding Bonds of the Series affected thereby, shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under each Series Resolution, provided such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and of each Series Resolution and the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per cent (25%) in principal amount of the Outstanding Bonds, or in the case of an event of default under paragraph (c) of Section 11.02 of the Resolution, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts or for any other remedy under the Resolution. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds. Notwithstanding any other provision of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Modification and Amendment Without Consent

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

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

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

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

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

To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by provisions thereof, of the Revenues or of any other moneys, securities or funds;

To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions; or

With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision of the Resolution, or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modifications shall not adversely affect the interests of the Holders in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent of Bondholders

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

(Section 9.02)

Amendment of Loan Agreement

The Loan Agreement may not be amended, changed, modified, altered or terminated so as to adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) 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 Section 7.11 of the Resolution; 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 under the Loan Agreement or extend the time of payment thereof. The Loan Agreement may be amended, changed, modified or altered with the consent of the Trustee but without the consent of the Holders of Outstanding Bonds to provide necessary changes in connection with the issuance of Bonds, in connection with the acquisition, construction, reconstruction, rehabilitation and improvement of, or otherwise providing, furnishing and equipping any facility constituting a part of a Project or which may be added to a Project,

to cure any ambiguity, to correct or supplement any provisions contained in the Loan Agreement which may be defective or inconsistent with any other provisions contained in the Loan Agreement or to provide other changes which will not adversely affect the interests of such Holders. 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 Section 7.11 the Resolution, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Loan Agreement if the same adversely affects or diminishes the rights of the Holders of the bonds of such Series. 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 by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

For all purposes of Section 7.11 the Resolution, 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 to any Holders of Bonds then outstanding in any material respect.

For the purposes of Section 7.11 of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, alteration or termination permitted by Section 7.11 of the Resolution in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the amendment, change, modification, alteration or termination and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

(Section 7.11)

Defeasance

1. If the Authority shall pay or cause to be paid to the Holders of the Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or other Securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Loan Agreement in payment of any fees and expenses or pursuant to any indemnity; and, then, the balance thereof to the University. The moneys and securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

2. Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of Section 12.01 of the Resolution. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of Section 12.01 of the Resolution if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on such date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will

provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) the Trustee shall have received the written consent to such defeasance of each Facility Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Facility Provider, and (d) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their last known addresses appearing on the bond registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with Section 12.01 of the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity payment of which shall be made in accordance with Section 12.01 of the Resolution. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with Section 12.01 of the Resolution in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to Section 12.01 of the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and subject to any applicable tax covenant, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and provided further, however, that moneys and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required thereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the University, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

3. For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the second sentence of subdivision 2 of Section 12.01 of the Resolution, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy subdivision 2 of Section 12.01 of the Resolution, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Arbitrage Rebate Fund in accordance with the

directions of an Authorized Officer of the Authority and the balance thereof, if any, to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

4. Option Bonds shall be deemed to have been paid in accordance with the second sentence of subdivision 2 of Section 12.01 of the Resolution only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to subdivision 2 of Section 12.01 of the Resolution, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of subdivision 4 of Section 12.01 of the Resolution. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Arbitrage Rebate Fund in accordance with the directions of an Authorized Officer of the Authority and the balance thereof, if any, to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

5. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any Bonds or the interest thereon 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 or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or the Paying Agent after such date when all of the Bonds of such Series become due and payable, shall at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of such Bonds, shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

**FORM OF APPROVING
OPINION OF BOND COUNSEL**

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FORM OF APPROVING OPINION OF BOND COUNSEL

_____, 2010

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

Re: Cornell University Revenue Bonds, Series 2010A

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance by of the Authority of \$285,000,000 aggregate principal amount of Cornell University Revenue Bonds, Series 2010A (the "Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), and the Authority's Cornell University Revenue Bond Resolution, adopted January 26, 2000, as supplemented and amended (the "Resolution"), as amended and supplemented by the Series 2010A Resolution Authorizing Cornell University Revenue Bonds, Series 2010A In An Amount Not Exceeding \$285,000,000, adopted January 27, 2010 (the "Series 2010A Resolution"). The Resolution, together with the Series 2010A Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into a Loan Agreement with Cornell University (the "Institution"), dated as of January 26, 2000, as supplemented and amended (the "Loan Agreement"), providing, among other things, for a loan to the Institution for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Institution is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the holders of the Bonds.

The Bonds are to mature on the dates and in the years and amounts and interest on the Bonds is payable at the rates and in the amounts set forth in the Bond Series Certificates executed and delivered pursuant to the Resolutions concurrently with the issuance of the Bonds.

The Bonds are to be issued initially in fully registered form in the denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof. The Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions and the Bond Series Certificates.

In such connection, we have reviewed the Resolutions, the Loan Agreement, the Tax Certificate and Agreement dated as of the date hereof (the "Tax Certificate and Agreement") between the Authority and the Institution, opinions of counsel to the Authority and the Institution, certificates of the Authority, the Trustee, the Institution and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of the University Counsel and Secretary of the Corporation, James Mingle, Esq., regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”) and the use of the facilities financed with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Institution within the meaning of Section 513 of the Code. We note that such opinion is subject to a number of qualifications and limitations. Failure of the Institution to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed facilities in activities that are considered unrelated trade or business activities of the Institution within the meaning of Section 513 of the Code, could negatively affect several of the opinions and conclusions set forth below.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We disclaim any obligation to update this letter. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Loan Agreement and the Tax Certificate and Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolutions, the Loan Agreement and the Tax Certificate and Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.
2. The Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.
3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Arbitrage

Rebate Fund and the Bond Purchase Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the Institution, constitutes a valid and binding agreement of the Authority in accordance with its terms.

5. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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