

NEW ISSUE



<p>\$35,480,000</p> <p>DORMITORY AUTHORITY OF THE STATE OF NEW YORK</p> <p>THE NEW SCHOOL</p> <p>REVENUE BONDS, SERIES 2011</p> <p>Dated: Date of Delivery Due: July 1, as shown below</p>

Payment and Security: The New School Revenue Bonds, Series 2011 (the "Series 2011 Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority") payable solely from and secured by a pledge of (i) certain payments to be made under the Loan Agreement (the "Loan Agreement"), dated as of September 1, 2011, between The New School (the "University") and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) established under the Authority's The New School Revenue Bond Resolution, adopted October 27, 2010 (the "Resolution") and the Series 2011 Resolution Authorizing Up To \$350,000,000 The New School Revenue Bonds, Series 2011, adopted October 27, 2010 (the "Series 2011 Resolution" and, together with the Resolution, the "Resolutions").

The Loan Agreement is a general 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 the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2011 Bonds, as such payments become due. The obligations of the University under the Loan Agreement to make such payments are secured by a pledge of tuition and fee revenue of the University. Such pledge is subordinate to certain Prior Pledges.

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

Description: The Series 2011 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due January 1, 2012 and each July 1 and January 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2011 Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least \$1,000,000 in principal amount of Series 2011 Bonds, by wire transfer to the holder of such Series 2011 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 2011 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 2011 Bonds, by wire transfer to the holder of such Series 2011 Bonds as more fully described herein.

The Series 2011 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2011 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2011 Bonds, payments of the principal, Redemption Price and Purchase Price of and interest on such Series 2011 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 – THE SERIES 2011 BONDS – Book-Entry Only System" herein.

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

Tax Exemption: In the opinion of Sidley Austin, LLP, Bond Counsel to the Authority, based on current law and assuming, among other matters, the accuracy of certain representations and compliance with the tax covenants described herein and the requirements of the Internal Revenue Code of 1986, as amended, interest on the Series 2011 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that, under current law, interest on the Series 2011 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). See "PART 10 – TAX MATTERS" herein.

\$12,435,000 Serial Bonds									
Due	Interest				Due	Interest			
July 1,	Rate	Yield	CUSIP	Number	July 1,	Rate	Yield	CUSIP	Number
Amount				(1)	Amount				(1)
2012	\$ 710,000	3.00%	0.95%	649906KW3	2018	\$1,425,000	5.00%	2.84%	649906LC6
2013	1,175,000	3.00	1.21	649906KX1	2019	400,000	3.00	3.20	649906LD4
2014	1,210,000	4.00	1.51	649906KY9	2019	1,100,000	5.00	3.20	649906LK8
2015	1,260,000	4.00	1.82	649906KZ6	2024	450,000	4.00	4.11	649906LF9
2016	1,300,000	4.00	2.20	649906LA0	2026	2,055,000	4.125	4.33	649906LH5
2017	1,350,000	5.00	2.50	649906LB8					
<p>\$6,730,000 5.00% Term Bonds Due July 1, 2023, Yield 3.85%* CUSIP Number 649906LE2</p> <p>\$3,420,000 4.00% Term Bonds Due July 1, 2025, Yield 4.22% CUSIP Number 649906LG7</p> <p>\$12,895,000 5.00% Term Bonds Due July 1, 2031, Yield 4.65%* CUSIP Number 649906LJ1</p>									
<p>*Priced to the first par call on July 1, 2021.</p>									

The Series 2011 Bonds are offered when, as, and if issued and received by the Underwriters. The offer of the Series 2011 Bonds may be subject to prior sale, or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the University by its Special Counsel, Nixon Peabody LLP, New York, New York, and certain other legal matters will be passed upon for the University by its general counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Edwards Wildman Palmer LLP (formerly Edwards Angell Palmer and Dodge LLP), New York, New York and The Hardwick Law Firm LLC, New York, New York. The Authority expects to deliver the Series 2011 Bonds in definitive form in New York, New York, on or about October 20, 2011.

J.P. Morgan	M.R. Beal & Company
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October 6, 2011

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

No dealer, broker, salesperson or other person has been authorized by the Authority, the University or the Underwriters to give any information or to make any representations with respect to the Series 2011 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the 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 2011 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the University and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriters guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority or the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, 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.

The University has reviewed the parts of this Official Statement describing the University, the Mortgage, the Principal and Interest Requirements, the Refunding Plan, the Estimated Sources and Uses of Funds and Appendix B. As a condition to delivery of the Series 2011 Bonds, the University will certify that as of the date of this Official Statement and of delivery of the Series 2011 Bonds, such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The 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 2011 Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2011 Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2011 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 will the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority or the University have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2011 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO
\$35,480,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
THE NEW SCHOOL
REVENUE BONDS, SERIES 2011

PART 1 — INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and the University, in connection with the offering by the Authority of \$35,480,000 aggregate principal amount of its The New School Revenue Bonds, Series 2011 (the “Series 2011 Bonds”).

The following is a brief description of certain information concerning the Series 2011 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 2011 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2011 Bonds are being issued for the purpose of providing funds which, together with other available moneys, will be used to (i) refund all or a portion of the Authority’s New School University Insured Revenue Bonds, Series 1999 (the “Series 1999 Bonds”), (ii) refund all or a portion of the Authority’s New School University Insured Revenue Bonds, Series 2001 (the “Series 2001 Bonds” and together with the Series 1999 Bonds, the “Refunded Bonds”), and (iii) pay the Costs of Issuance of the Series 2011 Bonds. See “PART 4 — THE REFUNDING PLAN” and “PART 5 — ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Resolution authorizes the issuance of one or more Series of Bonds (collectively, the “Bonds”) pursuant to a Series Resolution for the benefit of the University. The Series 2011 Bonds will be issued pursuant to the Act, the Resolution, and the Series 2011 Resolution. In addition to the Series 2011 Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay other Costs of one or more Projects, to pay the Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes or bonds of the Authority or other indebtedness of the University. There is no limit on the amount of additional Bonds that may be issued under the Resolution, which Bonds may be issued at any time after the scheduled delivery date of the Series 2011 Bonds. See “PART 3 — THE SERIES 2011 BONDS.”

The Authority

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

The University

The University is an independent, coeducational, nonsectarian, not-for-profit institution of higher education chartered by the Board of Regents of the State. The University is located in The City of New York, New York. See “PART 6 - THE UNIVERSITY” and “Appendix B - Financial Statements of The New School and Independent Auditors’ Report.”

The Series 2011 Bonds

The Series 2011 Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2012 and on each July 1 and January 1 thereafter) at the rates and will mature as set forth on the cover page of this Official Statement. See “PART 3 - THE SERIES 2011 BONDS - Description of the Series 2011 Bonds.”

Payment of the Series 2011 Bonds

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

Security for the Series 2011 Bonds

The Series 2011 Bonds will be separately secured from each other Series of Bonds by the pledge and assignment to the Trustee of the applicable Revenues and the funds and accounts established pursuant to the Series 2011 Resolution. The Series 2011 Bonds will be the second Series of Bonds issued under the Resolution. On December 8, 2010, the Authority issued its \$301,055,000 The New School Revenue Bonds, Series 2010 (the “Series 2010 Bonds”) under the Resolution. The Series 2011 Bonds will be equally and ratably secured with the Series 2010 Bonds and all other Series of Bonds by the pledge and assignment to the Trustee of the Authority’s security interest in the Pledged Revenues granted by the University under the Loan Agreement, subject to Prior Pledges. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Security for the Series 2011 Bonds - *Pledged Revenues*” and “PART 6 - THE UNIVERSITY – Outstanding Indebtedness.” In connection with future indebtedness of the University, the University may grant to the holders of such future indebtedness a security interest in the Pledged Revenues on a parity with the Authority’s security interest in the Pledged Revenues securing the Series 2011 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Financial Covenants - *Additional Indebtedness*” and “Appendix C - Summary of Certain Provisions of the Loan Agreement.”

The Series 2011 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. Neither the State nor the Authority has any responsibility to make payments with respect to the Series 2011 Bonds except for the Authority’s responsibility to make payments from moneys received from the University pursuant to the Loan Agreement and from amounts held in the funds and accounts established pursuant to the Series 2011 Resolution and pledged therefor.

Financial Covenants

The University has entered into certain financial covenants in the Loan Agreement, including a provision for the maintenance of balance sheet liquidity and a covenant related to incurrence of additional debt. For a description of such covenants, see “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Financial Covenants” and “Appendix C – Summary of Certain Provisions of the Loan Agreement.”

The Mortgage

The University’s obligations to the Authority under the Loan Agreement will be additionally secured by one or more mortgages on the Mortgaged Property and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith (the “Mortgage”). The Authority may, but has no present intention to, assign the Mortgage and such security interests to the Trustee. Upon the occurrence of an event of default under the Resolution, the Authority is obligated to assign the Mortgage to the Trustee. Unless the Mortgage and such security interests are assigned to the Trustee, neither the Mortgage, the security interests in such fixtures,

furnishings and equipment nor any proceeds therefrom will be pledged to the Holders of the Series 2011 Bonds. Prior to any assignment of the Mortgage to the Trustee, property subject to the Mortgage may be released, and the Mortgage may be amended, with the prior written consent of the Authority, but without the consent of the Trustee or the Holders of any Series 2011 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - The Mortgage.”

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

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2011 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreement, the Resolution and the Series 2011 Resolution. Copies of the Loan Agreement, the Resolution and the Series 2011 Resolution are on file with the Authority and the Trustee. See also “Appendix C — Summary of Certain Provisions of the Loan Agreement” and “Appendix D — Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2011 Bonds

The Series 2011 Bonds will be special obligations of the Authority. The principal of and interest on the Series 2011 Bonds are payable solely from the Revenues. The Revenues include the payments required to be made by the University under the Loan Agreement on account of the principal and Sinking Fund Installments of and interest on the Outstanding Series 2011 Bonds. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Series 2011 Bonds.

The Loan Agreement is a general obligation of the University and obligates the University to make payments to satisfy the principal and Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2011 Bonds. Generally, payments to satisfy principal and Sinking Fund Installments and interest on the Series 2011 Bonds are to be made monthly on the 10th day of each month. Each payment is to be equal to a proportionate share of the interest on the Series 2011 Bonds coming due on the next succeeding interest payment date and of the principal and Sinking Fund Installments coming due on the next succeeding July 1. The Loan Agreement also obligates the University to make payments sufficient to pay, at least 45 days prior to a redemption date or purchase date of Series 2011 Bonds called for redemption or contracted to be purchased (or such shorter period as the Authority shall permit), the amount, if any, required to pay the Redemption Price or Purchase Price of such Bonds. See “PART 3 - THE SERIES 2011 BONDS - Redemption and Purchase in Lieu of Redemption Provisions.”

The Authority has directed the University, 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 of and interest on the Series 2011 Bonds.

Security for the Series 2011 Bonds

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

Pledged Revenues

As security for its obligations under the Loan Agreement, the University has granted to the Authority a security interest in the Pledged Revenues, subject to the Prior Pledges, consisting of tuition and fees charged to students and received or receivable by the University. The security interest in the Pledged Revenues is subordinate to the Prior Pledges made in connection with the issuance of other Authority bonds issued on behalf of the University. See “PART 6 – THE UNIVERSITY – Outstanding Indebtedness.” The Authority has pledged and assigned to the Trustee for the benefit of the Holders of Series 2011 Bonds its security interest in the Pledged Revenues. Pursuant to

the Loan Agreement, the University has covenanted not to incur additional debt if the lien securing such debt would constitute a prior pledge other than the existing Prior Pledges relative to the security interest in the Pledged Revenues. However, the Loan Agreement permits the University under certain conditions to incur additional indebtedness secured by the Pledged Revenues on a parity basis with the pledge securing the Series 2011 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Issuance of Additional Indebtedness.”

Financial Covenants

The Loan Agreement contains certain financial covenants regarding the maintenance of assets and limiting the University’s right to incur additional indebtedness, as summarized below. Certain provisions of the Loan Agreement, including the covenants described below, may be amended, modified or waived by the Authority without the consent of the Holders of Outstanding Bonds.

Asset Maintenance Ratio

The University covenants that (i) as of each Testing Date the Asset Maintenance Ratio will be at least equal to .40:1. However, the calculation of the Asset Maintenance Ratio on any Testing Date excludes up to a maximum of \$80,000,000 of Dormitory Debt if either: (x) the Testing Date falls within a Fiscal Year that commenced during the Start-up Period for the Dormitory Facility relating to such Dormitory Debt or (y) the average Dormitory Debt Service Coverage Ratio for such Dormitory Debt was at least 110% for a period of up to three Fiscal Years immediately preceding the Testing Date that commenced after the Start-up Period.

The University covenants that, if on any June 30 Testing Date the Asset Maintenance Ratio, as shown on a certificate delivered by the University pursuant to the Loan Agreement, is less than the Asset Maintenance Ratio required under the Loan Agreement, the University will (i) within 60 days prepare and submit to the Authority a report setting forth actions proposed to be taken by the University that are projected to restore by the succeeding June 30 Testing Date the then applicable Asset Maintenance Ratio required pursuant to the Loan Agreement and (ii) diligently proceed to implement such actions.

Notwithstanding the foregoing, if on any Testing Date the Asset Maintenance Ratio is less than .40:1, then the University shall have the next ten successive Testing Dates to report an Asset Maintenance Ratio of at least .40:1, provided that on no such Testing Dates shall the Asset Maintenance Ratio be less than .30:1.

After the issuance of the Series 2011 Bonds, the University expects that it will be in compliance with its Asset Maintenance Ratio covenant. Based on preliminary, unaudited financial results, the University estimates the Asset Maintenance Ratio to be 0.55:1 as of June 30, 2011, which reflects the issuance of the Series 2010 Bonds.

Additional Indebtedness

The University covenants that it will not incur any Long-Term Indebtedness without obtaining the Authority’s consent thereto unless:

(i) the University delivers to the Authority a certificate or a report demonstrating that on the June 30 Testing Date of the most recent Fiscal Year for which audited financial statements are available the Asset Maintenance Ratio was not less than the then applicable Asset Maintenance Ratio required pursuant to the Loan Agreement; and

(ii) if applicable, the University delivers to the Authority a certificate to the effect that such Long-Term Indebtedness is Dormitory Debt and that after giving effect to the incurrence of such Dormitory Debt the aggregate principal amount of Dormitory Debt incurred by the University does not exceed \$80,000,000.

Notwithstanding any other provision of the Loan Agreement to the contrary, the University may, subject to the conditions set forth therein, incur Long-Term Indebtedness secured by a lien on the Pledged Revenues that is of equal priority with the lien on the Pledged Revenues securing the University’s obligations under the Loan Agreement if an inter-creditor agreement has been executed by and between the Authority, the Trustee and the creditor under such Long-Term Indebtedness in form and substance acceptable to the Authority and the Trustee.

Failure to Comply with Covenants

Unless a failure to comply with the covenants set forth above has been waived by the Authority, it shall be an Event of Default under the Loan Agreement if:

(i) on two consecutive June 30 Testing Dates the Asset Maintenance Ratio is less than the Asset Maintenance Ratio required pursuant to the Loan Agreement and the University fails to duly and punctually deposit the Pledged Revenues, as and when received, into a “lock-box” account to be held by a person selected by the Authority and administered in accordance with the Loan Agreement; or

(ii) the University fails to duly and punctually take the actions required to restore the Asset Maintenance Ratio required pursuant to the Loan Agreement and such failure continues for 30 days after written notice thereof shall have been given to the University by the Authority; *provided, however*, that if such failure cannot be cured within such 30-day period, but can be cured by appropriate action, it shall not constitute an Event of Default under the Loan Agreement if the University within such 30-day period initiates corrective action and thereafter diligently pursues the same.

For a more complete description of the financial covenants of the University, see “Appendix C – Summary of Certain Provisions of the Loan Agreement.”

The Mortgage

In connection with the delivery of the Series 2011 Bonds, the University will execute and deliver the Mortgage to the Authority and grant the Authority a security interest in certain fixtures, furnishings and equipment to secure the payments required to be made by the University pursuant to the Loan Agreement. The Authority may assign its rights under the Loan Agreement and the Mortgage and related security interest to the Trustee, but has no present intention to do so. Upon the occurrence of an event of default under the Resolution, the Authority is obligated to assign the Mortgage to the Trustee. Unless the Mortgage and security interest are assigned to the Trustee, neither the Mortgage nor the security interest in such fixtures, furnishings and equipment nor any proceeds therefrom will be pledged to the Holders of the Series 2011 Bonds. Prior to any assignment of a Mortgage to the Trustee, property subject to the Mortgage may be released, and the Mortgage may be amended, with the prior written consent of the Authority but without the consent of the Trustee or the Holders of any Series 2011 Bonds.

Pursuant to two mortgage spreader agreements (the “Spreader Agreements”), each between the University and the Authority, the lien of the mortgage granted by the University to the Authority to secure its obligations under the loan agreement relating to the Series 1999 Bonds (the “Series 1999 Mortgage”) is being spread to cover the property mortgaged by the mortgage granted by the University to the Authority to secure its obligations under the loan agreement relating to the Series 2001 Bonds (the “Series 2001 Mortgage”), and the lien of the Series 2001 Mortgage is being spread to cover the property mortgaged by the Series 1999 Mortgage. Simultaneously with the issuance of the Series 2011 Bonds, the Authority, MBIA Insurance Corporation (the insurer of the Series 1999 Bonds and the Series 2001 Bonds) and the trustees for each of the Series 1999 Bonds, the Series 2001 Bonds and the Series 2011 Bonds are entering into an intercreditor agreement providing for the liens of the 1999 Mortgage and the 2001 Mortgage, as spread pursuant to the Spreader Agreements, and the lien of the Mortgage to be of equal priority with each other. Under the terms of such intercreditor agreement, the cash proceeds realized from the foreclosure of the property covered by such mortgages are to be deposited into a separate trust account for the benefit of the parties to such intercreditor agreement, and any distribution of such proceeds will be pro rata, consistent with the parity positions of the liens of the Series 1999 Mortgage, the Series 2001 Mortgage and the Mortgage.

Events of Default and Acceleration

The following are events of default under the Resolution with respect to the Series 2011 Bonds: (i) a default by the Authority in the payment of the principal, Sinking Fund Installment or Redemption Price of any Bond; (ii) a default by the Authority in the payment of interest on any Bond; (iii) a default by the Authority in the due and punctual performance of any covenant or agreement contained in the Series 2011 Resolution to comply with the provisions of the Code necessary to maintain the exclusion of interest on such Bonds from gross income for purposes of federal income taxation; (iv) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2011 Bonds or in the Resolutions which continues for 30 days after written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee’s discretion or at the written request of the Holders of not less than 25% in principal amount of Outstanding Series 2011 Bonds) or if such default is not capable of being cured within 30 days, if the Authority fails to commence within 30 days and diligently prosecute the cure thereof; or (v) the Authority shall have notified the Trustee that an “Event of Default,” as defined in the Loan Agreement, has occurred and is continuing and all sums payable by the University under the Loan Agreement have been declared immediately due and payable (unless such

declaration shall have been annulled). Unless all sums payable by the University under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that, if an event of default (other than as described in clause (iii) of the preceding paragraph) occurs and continues, the Trustee may, and upon the written request of Holders of not less than 25% in principal amount of the Outstanding Series 2011 Bonds, shall declare the principal of and interest on all the Outstanding Series 2011 Bonds to be due and payable. At any time after the principal of the Series 2011 Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than 25% in principal amount of Series 2011 Bonds not yet due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

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 University within five days, and to the Holders within 30 days, in each case after obtaining knowledge of the occurrence thereof, unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of or interest on any of the Series 2011 Bonds, the Trustee will be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2011 Bonds.

Issuance of Additional Indebtedness

In addition to the Series 2011 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 or other indebtedness of the University. Each Series of Bonds will be separately secured from each other Series of Bonds by the pledge and assignment to the Trustee of the applicable Revenues and the funds and accounts established pursuant to the applicable Series Resolution. Each Series of Bonds will also be equally and ratably secured with all other Series of Bonds by the pledge and assignment to the Trustee of the Authority's security interest in the Pledged Revenues, subject to Prior Pledges. There is no limit on the amount of additional Bonds that may be issued under the Resolution, which Bonds may be issued at any time after the scheduled delivery date of the Series 2011 Bonds.

The Loan Agreement also permits the University, under certain conditions, to incur additional long-term indebtedness secured by the Pledged Revenues on a parity with the pledge securing the Series 2011 Bonds. See "Appendix C – Summary of Certain Provisions of the Loan Agreement."

General

The Series 2011 Bonds will not be a debt of the State and the State will not be liable on the Series 2011 Bonds. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal of or interest on its bonds or notes. See "PART 7 — THE AUTHORITY."

PART 3 — THE SERIES 2011 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2011 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2011 Resolution and the Loan Agreement, copies of which are on file with the Authority and the Trustee. See also "Appendix C — Summary of Certain Provisions of the Loan Agreement" and "Appendix D — Summary of Certain Provisions of the Resolution" for a more complete description of certain provisions of the Series 2011 Bonds.

Description of the Series 2011 Bonds

The Series 2011 Bonds will be issued pursuant to the Resolution and the Series 2011 Resolution and will be dated their date of delivery and bear interest from such date (payable January 1, 2012 and on each July 1 and January 1 thereafter) at the rates set forth on the cover page of this Official Statement.

The Series 2011 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2011 Bonds will be payable by check or draft mailed to the registered owners or, at the option of the registered owner of at least \$1,000,000 of Series 2011 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 Business Days prior to the Record Date for such Series 2011 Bonds immediately preceding the interest payment date. If the Series 2011 Bonds are not registered in the name of The Depository Trust Company, New York, New York (“DTC”) or its nominee, Cede & Co., the principal and Redemption Price of the Series 2011 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent.

The Series 2011 Bonds will be registered in the name of Cede & Co., as nominee for DTC, pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2011 Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2011 Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2011 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 2011 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 2011 Bonds, the Series 2011 Bonds will be exchangeable for fully registered Series 2011 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.”

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

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2011 Bonds are subject to redemption and to purchase in lieu of optional redemption, as described below. For a more complete description of the redemption and other provisions relating to the Series 2011 Bonds, see “Appendix D—Summary of Certain Provisions of the Resolution.”

Optional Redemption

The Series 2011 Bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. The Series 2011 Bonds maturing after July 1, 2021 are subject to redemption prior to maturity at the option of the Authority on or after July 1, 2021, in any order, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the Series 2011 Bonds to be redeemed, plus accrued interest to the redemption date.

Purchase in Lieu of Optional Redemption

The Series 2011 Bonds maturing after July 1, 2021 are also subject to purchase in lieu of optional redemption prior to maturity at the option of the University with the consent of the Authority, on or after July 1, 2021, in any order, in whole or in part at any time, at a purchase price equal to 100% of the principal amount of the Series 2011 Bonds to be purchased, plus accrued interest (the “Purchase Price”) to the date set for purchase (the “Purchase Date”).

Mandatory Redemption

The Series 2011 Bonds 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 2011 Bond to be redeemed, plus accrued interest to the date of redemption. Unless none of the Series 2011

Bonds of a maturity to be so redeemed are then Outstanding and, subject to the provisions of the Series 2011 Resolution permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there shall be due and the Authority shall be required to pay for the retirement of the Series 2011 Bonds maturing on July 1 of each of the years set forth in the following table, the amount set forth opposite such year:

<u>Series 2011 Bonds</u> <u>Maturing July 1, 2023</u>		<u>Series 2011 Bonds</u> <u>Maturing July 1, 2025</u>		<u>Series 2011 Bonds</u> <u>Maturing July 1, 2031</u>	
2020	\$1,565,000	2024	\$1,445,000	2027	\$2,135,000
2021	1,635,000	2025	1,975,000 [†]	2028	2,240,000
2022	1,725,000			2029	2,355,000
2023	1,805,000 [†]			2030	3,005,000
				2031	3,160,000 [†]

[†] Final maturity.

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

Special Redemption

The Series 2011 Bonds are subject to redemption prior to maturity at the option of the Authority in any order, as a whole or in part on any interest payment date, at a Redemption Price equal to 100% of the principal amount of Series 2011 Bonds to be redeemed, plus accrued interest to the redemption date from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Projects financed with proceeds from the Refunded Bonds.

Selection of Bonds to be Redeemed

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

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2011 Bonds in the name of the Authority, by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2011 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than 10 Business Days prior to the date such notice is given. Each notice of redemption, other than a notice of "Mandatory Redemption" or "Special Redemption," may state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of sufficient moneys to pay the Redemption Price of the Series 2011 Bonds to be redeemed. The failure of any owner of a Series 2011 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2011 Bond.

If on the redemption date moneys for the redemption of the Series 2011 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, and if notice of redemption has been mailed, then interest on the Series 2011 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2011 Bonds will no longer be considered to be Outstanding.

Notice of Purchase in Lieu of Optional Redemption and its Effect

Notice of purchase of the Series 2011 Bonds will be given in the name of the University to the registered owners of the Series 2011 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2011 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2011 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2011 Bonds are called for purchase in lieu of an optional redemption, such purchase will not extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2011 Bonds. Such Series 2011 Bonds need not be cancelled, and will remain Outstanding under the Resolution and continue to bear interest.

The University's obligation to purchase a Series 2011 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2011 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2011 Bonds to be purchased, the former registered owners of such Series 2011 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2011 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2011 Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2011 Bonds are to be purchased, the Series 2011 Bonds to be purchased will be selected by lot in the same manner as Series 2011 Bonds to be redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2011 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution." Also see "- Book-Entry Only System" below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2011 Bonds when the Book-Entry Only System is in effect.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011 Bond certificate will be issued for each maturity of the Series 2011 Bonds, totaling in the aggregate the principal amount of the Series 2011 Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2011 Bonds, except in the event that use of the book-entry system for such Series 2011 Bonds is discontinued.

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

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2011 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2011 Bond certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's book-entry-only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Each person for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2011 Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, and may desire to make arrangements with such Direct Participant or Indirect Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Direct Participant or Indirect Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2011 BONDS.

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

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

For every transfer and exchange of Series 2011 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2011 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2011 Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Series 2011 Bond certificates will be delivered as described in the Resolution.

NEITHER THE AUTHORITY, THE 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 2011 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2011 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2011 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2011 BONDS; OR (VI) ANY OTHER MATTER.

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Principal and Interest Requirements

The following table sets forth the amounts required to be paid by the University during each twelve month period ending June 30 of the Bond Years shown for the payment of debt service on the currently outstanding indebtedness of the University, the principal of and interest on the Series 2011 Bonds and the total debt service on all indebtedness of the University, including the Series 2011 Bonds.

<u>Series 2011 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 2011 Bonds</u>	<u>Debt Service on Other Indebtedness ⁽¹⁾</u>	<u>Total Debt Service</u>
2012	\$710,000	\$1,139,204	\$1,849,204	\$24,132,431	\$25,981,636
2013	1,175,000	1,612,619	2,787,619	24,133,431	26,921,050
2014	1,210,000	1,577,369	2,787,369	24,565,131	27,352,500
2015	1,260,000	1,528,969	2,788,969	24,559,831	27,348,800
2016	1,300,000	1,478,569	2,778,569	25,502,731	28,281,300
2017	1,350,000	1,426,569	2,776,569	25,695,731	28,472,300
2018	1,425,000	1,359,069	2,784,069	25,895,131	28,679,200
2019	1,500,000	1,287,819	2,787,819	26,083,231	28,871,050
2020	1,565,000	1,220,819	2,785,819	26,078,831	28,864,650
2021	1,635,000	1,142,569	2,777,569	25,745,481	28,523,050
2022	1,725,000	1,060,819	2,785,819	23,818,406	26,604,225
2023	1,805,000	974,569	2,779,569	23,678,456	26,458,025
2024	1,895,000	884,319	2,779,319	24,199,550	26,978,869
2025	1,975,000	808,519	2,783,519	25,891,519	28,675,038
2026	2,055,000	729,519	2,784,519	25,890,850	28,675,369
2027	2,135,000	644,750	2,779,750	25,895,975	28,675,725
2028	2,240,000	538,000	2,778,000	25,896,800	28,674,800
2029	2,355,000	426,000	2,781,000	25,890,513	28,671,513
2030	3,005,000	308,250	3,313,250	25,361,338	28,674,588
2031	3,160,000	158,000	3,318,000	25,360,525	28,678,525
2032	-	-	-	28,776,800	28,776,800
2033	-	-	-	28,774,750	28,774,750
2034	-	-	-	28,775,300	28,775,300
2035	-	-	-	28,776,700	28,776,700
2036	-	-	-	28,774,875	28,774,875
2037	-	-	-	28,777,650	28,777,650
2038	-	-	-	28,777,325	28,777,325
2039	-	-	-	28,776,475	28,776,475
2040	-	-	-	28,777,375	28,777,375
2041	-	-	-	28,777,075	28,777,075
2042	-	-	-	28,777,550	28,777,550
2043	-	-	-	28,774,350	28,774,350
2044	-	-	-	12,724,875	12,724,875
2045	-	-	-	12,680,375	12,680,375
2046	-	-	-	12,645,588	12,645,588
2047	-	-	-	10,538,525	10,538,525
2048	-	-	-	10,476,525	10,476,525
2049	-	-	-	10,418,763	10,418,763
2050	-	-	-	10,343,450	10,343,450

¹ Excludes debt service on the Refunded Bonds which are will be refunded with proceeds of the Series 2011 Bonds.

PART 4 — THE REFUNDING PLAN

A portion of the proceeds of the Series 2011 Bonds, together with other available monies, will be used to provide for the payment of the Refunded Bonds. Upon issuance of the Series 2011 Bonds, such proceeds are expected to be used to acquire non-callable direct obligations of the United States of America (the “Investment Securities”), the principal of and interest on which, when due, together with any initial cash deposit, will provide moneys sufficient to pay the redemption price of the Refunded Bonds and the interest on such Refunded Bonds to the respective dates fixed for redemption.

The Investment Securities will be deposited with the respective trustees for the Refunded Bonds upon the issuance and delivery of the Series 2011 Bonds and will be held in trust solely for the payment of the redemption price of and interest on the applicable Refunded Bonds. At the time of such deposit the Authority will give such trustees irrevocable instructions to give notice of the defeasance (if applicable) and redemption of the Refunded Bonds and to apply the proceeds from the Investment Securities together with any initial cash deposit to the payment of the redemption price of and interest on the Refunded Bonds.

PART 5 — ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2011 Bonds.....	\$ 35,480,000
Plus: Net Original Issue Premium.....	1,660,274
Funds on deposit for Refunded Bonds.....	<u>959,402</u>
Total Sources	<u>\$ 38,099,676</u>

Uses of Funds

Deposit to Refunding Escrows.....	\$ 37,139,302
Costs of Issuance	812,134
Underwriters’ Discount.....	<u>148,240</u>
Total Uses	<u>\$ 38,099,676</u>

PART 6 — THE UNIVERSITY

GENERAL INFORMATION

History and Academic Background

The New School (“The New School” or the “University”) is an independent, nonprofit, coeducational institution of higher education. The main campus is located in Greenwich Village in The City of New York, along with other locations in Manhattan.

The New School was founded in 1919 by a group of scholars, journalists, and civic leaders who imagined an educational venue where they could freely discuss their ideas and where dialogue could take place between intellectuals and the public. The New School founders saw a need for academic freedom and the right to explore and examine whatever it was one wanted to study. They looked at learning as a higher calling and wanted to create a setting that allowed for new ideas unencumbered by traditional rules. They envisioned a place that was a refuge for unorthodox ideas. They set the stage for interest in new thoughts and a commitment to solving the problems of the day, the social issues that required intellectual and ethical learning to spark creative solutions.

In the darkest days of the twentieth century the New School demonstrated it was willing to take the risk of moving from ethical teaching into ethical action by becoming a refuge for German intellectuals who were endangered by the political beliefs of the National Socialist Party. Against the wishes of the U.S. Department of

State, the New School became a part of the Emergency Rescue Committee and established a safe home for German Jewish intellectuals who were saved from the near certainty of death. Through this effort, the University became known as the “University in Exile.” The University is proud of this progressive tradition.

Equally important is the central educational belief and innovation of its founders: the need to educate men and women who were already educated. The New School began as a school for people who already had degrees but recognized they had much more they needed to learn. The New School began as a school that offered an opportunity to listen and learn from distinguished intellectuals in the social sciences and later the arts. It began without credits or degrees, without tenure, and without endowment. Originally devoted to exploring the pressing social, political, and economic problems of the day, The New School has since expanded its focus to embrace the arts and culture. Today, the University offers bachelors and masters programs in the visual and performing arts in addition to bachelors, masters, doctorate and certificate programs in the liberal arts, social sciences and management and urban policy.

Academic Programs

The New School is a globally-minded university with students from all 50 states and from more than 100 countries. To prepare students to meet the challenges of globalization, the curriculum emphasizes cross-disciplinary studies and the social and environmental sciences. The New School is an urban university and New York City serves as a resource for students, faculty, and the University itself.

The New School comprises seven schools, each with its own history and program offerings (described below), which are: The New School for Public Engagement; The New School for Social Research; Parsons The New School for Design; Eugene Lang College The New School for Liberal Arts; Mannes College The New School for Music; The New School for Drama; and The New School for Jazz and Contemporary Music.

The New School for Public Engagement

Two renowned divisions have come together to form The New School for Public Engagement – The New School for General Studies and Milano The New School for Management and Urban Policy. The newly integrated and named division emphasizes the core values of democratic citizenship, social action and cultural engagement that inspired The New School’s founding 92 years ago.

The New School for Public Engagement brings together professional, social and cultural programs that stress learning in action. This division connects theory to real-world practice, training students to address civic life, create new forms of culture and respond to contemporary urban, social and global needs.

Degrees Offered: BA, BS in Liberal Arts, an accelerated bachelor’s/master’s option, MFA in Creative Writing, MA, MS in International Affairs, MA in Media Studies (online or on site), Graduate Certificates in Media Management (online only) and Documentary Media Studies, MA in Teaching of English to Speakers of Other Languages (TESOL), MS in Urban Policy Analysis Management, Nonprofit Management, Health Services Management and Policy, Human Resources Management, and Organizational Change Management; PhD in Public and Urban Policy; graduate certificates; and accelerated bachelor’s/master’s options with Eugene Lang College.

The New School for Social Research (“Social Research”)

Founded in 1933, The New School for Social Research is the graduate center for the core social sciences and philosophy. It began as the “University in Exile,” a haven for refugee European scholars, and today continues that tradition by emphasizing that world peace and global justice are not just theoretical ideals, but are central and practical goals of every course of study.

Degrees Offered: MA and PhD in Anthropology, Economics, Historical Studies, Philosophy, Political Science, Psychology, and Sociology; MA in Global Political Economy and Finance and Liberal Studies; MS in Economics; and accelerated bachelor’s/master’s options with Eugene Lang College.

Parsons The New School for Design (“Parsons”)

Parsons The New School for Design is one of the premier degree-granting colleges of art and design in the nation. Students learn to design innovative solutions to real-world problems. They benefit from practical training and internships as well as from a network of alumni, many of whom are leaders in the art and design industries.

Degrees Offered: BFA in Architectural Design, Art & Design, Communication Design, Design & Technology, Fashion Design, Fine Arts, Illustration, Integrated Design, Interior Design, Photography and Product Design; BBA in Design & Management; BS in Environmental Studies; MA in History of Decorative Arts; Fashion Studies; M.ARCH in Architecture; MFA in Design & Technology, Fine Arts, Lighting Design, and Photography; AAS in Fashion Marketing (online or on site), Fashion Studies, Graphic Design and Interior Design; and certificate programs in Fashion Studies, Fine Art and Foundation, Graphic and Digital Design and Interior Design.

Eugene Lang College The New School for Liberal Arts (“Lang”)

Eugene Lang College The New School for Liberal Arts provides an exceptional undergraduate experience for students who develop their own curricula across 12 paths of study. Undergraduates study with faculty in small seminars and graduate prepared for their future endeavors.

Degrees Offered: BA in Liberal Arts; accelerated bachelor’s/master’s options with The New School for Social Research, Milano and Parsons; and a combined BA/BFA with Parsons or New School Jazz.

Mannes College The New School for Music (“Mannes”)

Mannes College The New School for Music is a highly regarded conservatory of classical music. Instructors include scholars, composers, conductors and performing artists from some of the world’s most revered orchestras, ensembles and opera companies.

Degrees Offered: BM, BS, MM; and diploma programs in Music and Performance or Composition/Arranging (for classical musicians).

The New School for Drama (“Drama”)

The New School for Drama trains actors, directors and playwrights. Students work on full-scale productions with faculty, peers and visiting guest-artists. Over the course of three years, students gain practical experience to prepare for a life and career in the theater.

Degrees Offered: MFA in Acting, Directing or Playwriting.

The New School for Jazz and Contemporary Music (“Jazz”)

The New School for Jazz and Contemporary Music is based in tradition and also focuses on new kinds of sound and experimentation. With instructors who are professional musicians, the school challenges students to become better artists and prepares them to become professionals in the jazz world.

Degrees Offered: BFA in Jazz Performance and combined BA/BFA degree with Eugene Lang College.

Accreditation

The University is a member of the Association of American Colleges and Universities and is accredited by the Middle States Association of Colleges and Schools.

Parsons The New School for Design has been accredited by the National Association of Schools of Art and Design (NASAD) since 1966. The Master’s program in Architecture has been accredited by the National Architectural Accrediting Board since 1994. The graduate Clinical Psychology program has been accredited by the American Psychological Association since 1981. The Master’s Program in Urban Policy Analysis and Management has been accredited by the National Association of Schools of Public Affairs and Administration since 1988.

Governance

The University is governed by a Board of Trustees (the “Board”), currently consisting of 47 Trustees, reflecting a broad range of expertise and a wide reach into the New York City community. The Board conducts its affairs through 10 committees: Academic Affairs, Administrative Affairs, Audit and Risk, Budget and Finance, Facilities, Development, Executive, Investment, Student Services, and Trustees. Ad hoc committees are established to address special issues. The Board participates in the formulation and approval of all University policies and reviews and approves all operating and capital budgets. The Board meets four times per year and its Committees meet two to nine times per year or as necessary. Trustees serve four-year terms with no limits on the number of terms a Trustee may serve.

Set forth below is a list of the Trustees.

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3	Administrative Affairs	7	Development Committee		
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*Mr. Hayden is a Managing Director in the Public Finance Department of J.P. Morgan Securities LLC, the senior underwriter of the Series 2011 Bonds.

In addition to the Board, six Boards of Governors representing the seven academic divisions of the University give advice on academic programs, help raise financial resources, and expand the outreach of each division. Links between the Boards of Governors and the Board are assured by having Trustees chair most Boards of Governors and by the participation of Trustees on a Board of Governors.

Administration

The President of the University is appointed by the Board of Trustees. Subject to the control of the Board and the Executive Committee, the President administers the academic and business affairs of the University. The officers of the University are:

President – David Van Zandt became President of The New School on January 1, 2011. Dr. Van Zandt had been a faculty member at Northwestern University since 1985. In 1995, he became the Dean of Northwestern's School of Law. During his tenure at Northwestern, Dr. Van Zandt created the largest JD-MBA program in the country, raised the school's public profile, forged numerous cross-cultural relationships with students and legal institutions internationally, and led a capital campaign that raised \$78 million for the Law School's endowment.

Provost and Chief Academic Officer – Tim Marshall joined the University in 2004 and was appointed to his position in 2009. He previously served as Dean of Parsons The New School for Design. From 1994 to 2004, Mr. Marshall held a number of academic leadership positions at the University of Western Sydney.

Deputy Provost and Senior Vice President for Academic Affairs – Bryna Sanger was appointed to this position in 2009. Ms. Sanger has been with the University for 34 years and has served in numerous capacities, including dean of Milano The New School for Management and Urban Policy, as well as academic dean and chair of Milano's program in Urban Policy Analysis and Management.

Chief Financial Officer and Senior Vice President for Finance and Business – Frank Barletta was appointed Vice President and Treasurer in 2002 and promoted to his present position in 2007. Among his positions prior to joining the University, Mr. Barletta was Vice President for Finance at Katherine Gibbs School and Vice President for Finance and Administration at Saint Peter's College. He is a certified public accountant.

Vice President and Treasurer – Craig Becker joined the University in 2009. Previously, Mr. Becker was Associate Vice President for Finance at Seton Hall University (2000-2009), Vice President for Finance at the New York Institute of Technology, and Controller for Teachers College, Columbia University. Mr. Becker was a manager in KPMG's higher education management consulting practice and is a certified public accountant.

Vice President for Development and Alumni Relations – Pamela Besnard joined the University in 2010. Previously, she served as the Director of Major Gifts at Williams College (2004 – 2010). Prior to joining Williams, she held senior sales and advertising positions in the publishing field.

Senior Vice President for Human Resources and Labor Relations – Carol Cantrell joined the University as Vice President for Human Resources in 2000 and was promoted to her present position in 2006. Prior to joining the University, Ms. Cantrell served as Administrator for Human Resources at the Metropolitan Museum of Art (1990 – 2000).

Senior Vice President of Distributed and Global Learning – Rosemary Mathewson came to The New School in 2011 to fill the newly created position of Senior Vice President of Distributed and Global Learning. Ms. Mathewson was previously a managing director of Duke Corporate Education and held both an associate dean and managing director position at New York University. She holds a BA from Sarah Lawrence College, a JD from Brooklyn Law School, and an LLM in Taxation from New York University School of Law.

Vice President for Communications and External Affairs – Nancy Donner was appointed Vice President for Communications and External Affairs in March 2005. Previously, she served as the Vice President for Communication and Marketing at the New York Public Library.

Vice President for Design, Construction, and Facilities Management – Lia Gartner was appointed Vice President for Design, Construction, and Facilities Management in July 2006. Ms. Gartner joined The New School in 2004 as University Director of Design and Construction and became Associate Vice President for Design and Construction in 2005.

Vice President for Enrollment Management – Bob Gay was appointed Vice President for Enrollment Management in 2007. Previously he served as the Executive Vice President for Operations and Enrollment Management at Cardean Learning Group.

Vice President and General Counsel for Legal Affairs – Roy Moskowitz was appointed Vice President and General Counsel for Legal Affairs in 2006. Previously, he served as counsel at District Two in the New York City Board of Education and as Deputy and Acting General Counsel for the City University of New York.

Senior Vice President for Information Technology – Shelley Reed was appointed Vice President for Information Services in 2001 and was promoted to her present position in 2006. Ms. Reed has been with the University since 1999, previously serving as Associate Vice President of Administrative Systems.

Senior Vice President for Student Services – Linda Reimer was appointed Senior Vice President for Student Affairs in 1997. Ms. Reimer has been with the University since 1990, and has previously served as Associate Provost, Assistant Provost, and Director of Housing.

Employees

The New School employs over 1,300 full-time personnel in academic, professional, administrative, clerical, and service positions. The table below sets forth the full-time positions at the University for the past six years.

	Full-time Positions					
	2006	2007	2008	2009	2010	2011
Faculty	253	286	333	351	372	415
Administrative and professional staff	577	577	567	584	598	609
Clerical and secretarial	146	143	133	139	130	134
Maintenance, security, and service	144	142	147	150	153	170
Total	1,120	1,148	1,180	1,224	1,253	1,328

Approximately 150 full-time and part-time clerical employees are represented by Local 1205, International Brotherhood of Teamsters, under a contract with the University that expires on June 30, 2015. Approximately 100 full- and part-time maintenance employees are represented by Local 32B J, Service Employees International Union, AFL-CIO, under a contract with the Realty Advisory Board on Labor Relations, Inc. that expires on December 31, 2011. Approximately 75 full- and part-time security guards are represented by Local 32B J, Service Employees International Union under a contract with the University that expires on June 30, 2014. Approximately 62 part-time faculty members in the Jazz and Contemporary Music Program are represented by Local 802, AFM, Associated Musicians of Greater New York, under a contract with the University that expired on June 30, 2011 and is under negotiation. ACT-UAW represents approximately 1,700 part-time Faculty throughout the University except for part-time faculty in the Jazz and Contemporary Music Program. The University’s contract with ACT-UAW expires on August 31, 2014. The University maintains strong and cooperative relationships with the unions representing its employees.

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Principal Facilities

The New School's primary campus is sited between Fifth and Sixth Avenues on 11th, 12th, 13th, and 14th Streets near the northern boundary of Greenwich Village. Six of seven academic schools—Lang, Parsons, Social Research, General Studies, Jazz, and Milano—are housed in facilities that are located in the primary campus area. The remaining two academic schools—Drama and Mannes—along with the Parsons BFA Fashion program—are located in New York City off the primary campus. The residential facilities are located both on and off the primary campus.

As of June 30, 2011, The New School occupies approximately 1.5 million gross square feet of academic and residential space. Broken down by category, this total represents 876,172 square feet in owned facilities and 601,260 in leased facilities. Summarized below are owned and leased non-residential and residential facilities, approximate square footages and the primary use of each building.

Owned Facilities

Academic/Administrative facilities			Residential/Dormitory		
Location	Square Feet	Use	Location	Square Feet	Use
66 West 12th Street	88,997	Academic/Administrative	118 West 13th Street	33,975	Student Housing
65 West 11th Street	35,871	Academic	135 East 12th Street	58,000	Student Housing
25 East 13th Street	54,600	Academic	Zeckendorf Towers	2,000	Faculty Housing
65 Fifth Avenue*	149,282	Under Construction	21 West 11th Street	4,500	Residence
72 Fifth Avenue	50,000	Academic/Student Services	300 West 20 th Street	40,000	Student Housing
55 West 13th Street	92,000	Mixed Use			
2 West 13th Street	118,414	Academic			
70 Fifth Avenue	3,813	Academic			
68 Fifth Avenue	7,033	Academic			
66 Fifth Avenue	59,257	Academic			
560 Seventh Avenue	42,430	Academic			
150 West 85th Street	36,000	Academic			
Total square feet	<u>737,697</u>		Total square feet	<u>138,475</u>	

*65 Fifth Avenue has been demolished to make way for a 365,000 SF multi-use building consisting of 206,000 SF of academic space, 150,000 SF of student housing space, and 9,000 SF of retail space.

Leased Facilities

Academic/Administrative facilities			Residential/Dormitory		
Location	Square Feet	Use	Location	Square Feet	Use
64 West 11th St.	8,456	Academic	318 East 15 th Street	112,500	Student Housing
79 Fifth Avenue	193,000	Academic/Administrative	84 William Street	100,000	Student Housing
80 Fifth Avenue	48,000	Academic/Administrative			
55 West 13th St. Annex	18,000	Mixed Use			
566 Seventh Avenue	25,000	Academic			
37 West 65th Street	4,800	Academic			
151 Bank Street	18,500	Academic			
71 Fifth Avenue	13,000	Administrative			
218-232 West 40 th Street	45,900	Academic			
90 Fifth Avenue	14,104	Student services			
Total square feet	<u>388,760</u>		Total square feet	<u>212,500</u>	

OPERATING INFORMATION

Student Applications, Acceptances and Enrollments

The University has experienced increasing enrollments for the fiscal year period from 2006 (Fall 2005) through the current year. Undergraduate headcount has grown 22.5%, from 5,688 in fiscal 2006 to 6,970 in fiscal 2011 (Fall 2010). Graduate headcount enrollments for the same period increased 11.9%, from 3,313 to 3,708. The University's strategic enrollment plan calls for the undergraduate and graduate student bodies to grow approximately 4% annually during the next five years. The following table presents fall enrollments for the past six fiscal years.

Fall Enrollments *						
Fiscal Year	Head Count			Full-time Equivalent		
	Under-graduate	Graduate	Total	Under-graduate	Graduate	Total
2006	5,688	3,313	9,001	5,060	2,813	7,873
2007	5,868	3,123	9,123	5,259	2,812	8,071
2008	6,337	3,322	9,659	5,707	2,846	8,553
2009	6,618	3,450	10,068	5,998	2,943	8,941
2010	6,882	3,554	10,436	6,283	3,091	9,374
2011	6,970	3,708	10,678	6,384	3,265	9,649

* Credit seeking students; Fiscal 2012 is not available.

The following table presents the number of degrees awarded in each of the past six fiscal years.

Degrees Awarded			
Fiscal Year	Under-graduate	Advanced	Total
2006	1,338	995	2,333
2007	1,446	1,027	2,473
2008	1,565	1,000	2,565
2009	1,542	1,089	2,631
2010	1,721	1,147	2,868
2011	1,709	1,234	2,943

In the fall of 2005 (fiscal 2006), the number of enrolled full-time freshmen was 803; in the fall of 2010 (fiscal 2011), 1,185 freshmen enrolled. The following table shows the number of freshman applications, acceptances, enrollment, and average SAT scores for the past six fiscal years as well as application data for the current fiscal year. In recent years, the University accepted more freshmen than in the past without compromising quality.

Freshmen							
	Fall 2005 FY 2006	Fall 2006 FY 2007	Fall 2007 FY 2008	Fall 2008 FY 2009	Fall 2009 FY 2010	Fall 2010 FY 2011	Fall 2011 FY 2012*
Applied	3,951	4,447	4,946	5,693	5,125	5,301	5,510
Accepted	2,023	2,324	2,649	2,918	3,183	3,344	N/A
Enrolled	803	897	1,012	1,083	1,152	1,185	N/A
Acceptance Ratio (%)	51.2	52.3	53.6	51.3	62.1	63.1	N/A
Matriculation Ratio (%)	39.7	38.6	38.2	37.1	36.2	35.4	N/A
Freshman SAT Average	1,127	1,113	1,112	1,110	1,110	1,106	N/A

* For Fiscal 2012, only application data is available as the University operates on a rolling admissions basis.

The major factor driving the increase in acceptances over the past few years was the economic crisis and its potential impact on the number of students matriculating. The pools of applicants were, on average, of higher quality and, therefore, the average SAT scores of matriculated students were stable.

The following table shows the number of transfer applications, acceptances, and enrollment for the past six fiscal years as well as the current fiscal year.

Transfers							
	Fall 2005 FY 2006	Fall 2006 FY 2007	Fall 2007 FY 2008	Fall 2008 FY 2009	Fall 2009 FY 2010	Fall 2010 FY 2011	Fall 2011 FY 2012*
Applied	2,943	2,858	2,887	3,106	3,068	3,042	3,100
Accepted	1,891	1,759	1,859	1,975	2,183	2,028	N/A
Enrolled	1,128	1,008	1,102	1,145	1,166	1,074	N/A
Acceptance Ratio (%)	64.3	61.5	64.4	63.6	71.2	66.7	N/A
Matriculation Ratio (%)	59.7	57.3	59.3	58.0	53.4	53.0	N/A

* For Fiscal 2012, only application data is available.

The following table shows the number of graduate applications, acceptances, and enrollment for the past six fiscal years as well as the current fiscal year.

Graduate							
	Fall 2005 FY 2006	Fall 2006 FY 2007	Fall 2007 FY 2008	Fall 2008 FY 2009	Fall 2009 FY 2010	Fall 2010 FY 2011	Fall 2011 FY 2012*
Applied	4,731	4,538	4,926	5,189	5,519	6,238	6,008
Accepted	2,526	2,373	2,804	2,838	3,000	2,990	N/A
Enrolled	1,037	1,026	1,101	1,130	1,181	1,247	N/A
Acceptance Ratio (%)	53.4	52.3	56.9	54.7	54.4	47.9	N/A
Matriculation Ratio (%)	41.1	43.2	39.3	39.8	39.4	41.7	N/A

* For Fiscal 2012, only application data is available

The following table shows the number of applications, acceptances, and enrollment for the University's credit seeking students.

Total University							
	Fall 2005 FY 2006	Fall 2006 FY 2007	Fall 2007 FY 2008	Fall 2008 FY 2009	Fall 2009 FY 2010	Fall 2010 FY 2011	Fall 2011 FY 2012*
Applied	11,625	11,843	12,759	13,988	13,712	14,581	14,618
Accepted	6,440	6,456	7,312	7,731	8,366	8,362	N/A
Enrolled	2,968	2,931	3,215	3,358	3,499	3,506	N/A
Acceptance Ratio (%)	55.4	54.5	57.3	55.3	61.0	57.3	N/A
Matriculation Ratio (%)	46.1	45.4	44.0	43.4	41.8	41.9	N/A

* For Fiscal 2012, only application data is available.

The University draws from every state, the District of Columbia and over 100 other countries. The following table presents the fall degree and diploma enrollment by in-state and out-of-state for the past six fiscal years.

Student Enrollment (Degree & Diploma Programs Only)				
Fiscal Year	New York	Out-of-State	International	Total
2006	2,966	3,848	1,881	8,695
2007	2,799	4,080	1,988	8,867
2008	2,845	4,452	2,093	9,390
2009	3,077	4,540	2,208	9,825
2010	3,188	4,788	2,284	10,260
2011	3,152	4,892	2,466	10,510

The percentage of out-of-state and international students has increased from 66% of enrollment in fiscal 2006 to 70% in the fiscal 2011.

The University's FTE enrollment has increased 22.6% between fiscal 2006 and fiscal 2011 with most of the growth in Parsons and Lang, where enrollment at both grew more than a third over the six year period. The University has been attempting to increase enrollment in these selected degree programs during this period to strengthen its revenue base. Enrollment in the social sciences, management and urban policy programs and performance divisions has remained generally stable.

The following table shows the number of credit-seeking students by school for the past six fiscal years.

Enrollment of All Credit-Seeking Students by School*						
	Fall 2005 FY 2006	Fall 2006 FY 2007	Fall 2007 FY 2008	Fall 2008 FY 2009	Fall 2009 FY 2010	Fall 2010 FY 2011
General Studies	1,918	1,851	1,943	2,032	2,009	2,091
Social Research	1,071	1,083	1,096	1,100	1,070	1,078
Parsons	3,473	3,627	3,984	4,266	4,633	4,775
Milano	664	603	569	522	529	494
Lang	1,073	1,164	1,294	1,347	1,439	1,511
Mannes	370	385	379	411	384	370
Jazz	262	260	245	259	253	239
Drama	170	149	149	131	119	120
Total Head count	9,001	9,123	9,659	10,068	10,436	10,678
Full-Time Equivalent	7,873	8,071	8,553	8,941	9,374	9,649

* Fall 2011/Fiscal 2012 is not available.

In 2007, the University created a new Vice President position that has the sole responsibility for enrollment management. Prior to his arrival, recruitment and retention efforts were decentralized in the schools.

The following table presents the first-time freshman retention after one year for the past six fiscal years.

Freshman Retention After One Year					
Fall 2005 FY 2006	Fall 2006 FY 2007	Fall 2007 FY 2008	Fall 2008 FY 2009	Fall 2009 FY 2010	Fall 2010 FY 2011
82.4%	78.1%	81.7%	81.3%	78.9%	81%

In an effort to improve retention, the Provost has convened a University-wide working group to explore best practices in improving persistence and graduation rates. This Retention Task Force will work collaboratively with administrative and academic offices around the University to identify, develop and coordinate implementation of interventions that have been shown to improve persistence and graduation in best practice universities.

Enrollment in the University's continuing education (non-credit) programs is open to the public. There are no formal admissions requirements for these programs, although certain courses do have prerequisites to ensure students are capable of completing course work. The University made a decision a number of years ago to reduce the number of non-credit courses offered in order to gain classroom space for degree seeking students. The following table presents the fall enrollment of continuing education students.

Enrollment of Non-Credit Seeking Students by Academic Year*						
	Fall 2005 FY 2006	Fall 2006 FY 2007	Fall 2007 FY 2008	Fall 2008 FY 2009	Fall 2009 FY 2010	Fall 2010 FY 2011
General Studies	4,304	3,608	3,424	2,078	1,664	1,511
Parsons	1,247	1,163	1,240	1,200	1,087	1,079
Mannes	621	623	606	600	599	568
Other **	306	269	19	25	15	21
Total	6,478	5,663	5,289	3,903	3,365	3,179

*Fall 2011/Fiscal 2012 data is not available.

** The decline in the "other" category reflects the closing of the Guitar Studies Center in 2008.

Tuition and Fees

The University's tuition rates and other student costs are comparable to colleges and universities offering similar programs with which it competes. While it is University policy to set tuition and other costs independently, the University maintains a price structure within a competitive range compared to such other institutions.

The University's degree programs include more traditional undergraduate and graduate programs, where students typically attend on a full-time basis. These programs include Lang and Parsons' bachelor degree and master degree programs. For these students, room and board costs can be as relevant to the decision of which school to attend as tuition and fees. While the University's dormitory room rates are higher than many non-urban institutions, its rates are comparable to the room rates charged by competing institutions located within the New York City metropolitan area. The table below provides the current tuition, fees and room and board charges.

Full Time Students, FY 2012						
		Parsons BFA	Parsons MFA	Mannes	Lang	Drama
Tuition & Fees	\$	39,350	39,780	36,780	37,810	37,290
Room & Board		15,260	15,260	15,260	15,260	15,260
Academic Year Cost	\$	54,610	55,040	52,040	53,070	52,550

Financial Aid and Scholarships

The University is committed to being accessible to all students based on merit and to increasing the number of students from underrepresented groups. The University has greatly increased the availability of financial aid over the past decade. The ability to attract qualified students from underrepresented groups is enhanced significantly through the availability of financial aid and scholarships to students in need. The New School places a priority on financial aid to ensure a diverse student body that brings a variety of talents and experiences to the educational community. To respond to the varied needs of this population, The New School has sought to provide access to different forms of aid (loans, work opportunities, grants) and to establish a flexible plan to distribute available resources.

Financial assistance provided by The New School to its students is designed to supplement the contribution that a student/family can make toward the payment of tuition and other expenses. The following table shows the sources of financial aid funds provided to students of the University for the six year period ending June 30, 2011.

Sources of Financial Aid							
<i>Dollars in Thousands</i>							
Fiscal Year		2006	2007	2008	2009	2010	Unaudited 2011
Operating Funds	\$	37,496	40,535	46,238	54,508	65,689	74,495
Donor-funded External Assistance		5,405	6,044	7,289	7,445	6,925	6,527
	\$	42,901	46,579	53,527	61,953	72,614	81,022

The University's tuition discount rate remained relatively stable over the past five fiscal years. In fiscal 2006, 2007, and 2008, the University under-spent its financial aid budget. In fiscal 2009, 2010 and fiscal 2011, The New School increased the tuition discount rate by 1% due to the challenging economic environment. Gross tuition and tuition discount for the past five fiscal years, unaudited fiscal 2011 and current budget is as follows:

Financial Aid Discount							
<i>Dollars in Thousands</i>							
Fiscal Year	2006	2007	2008	2009	2010	Unaudited 2011	2012 (Budget)
Tuition & fees (\$)	206,026	223,904	250,417	274,623	298,782	318,434	348,121
Student aid (\$)	42,901	46,579	53,527	61,953	72,614	81,021	85,263
Tuition discount (%)	21	21	21	23	24	25	24

Academic Faculty

The University employs over 2,100 full and part-time faculty to teach credit-bearing courses. About 24% of the full-time faculty is tenured. The increase in full-time faculty was undertaken to support the rise in undergraduate students. The table below provides the number of full or part-time faculty for the last six years.

Faculty Profile			
Fiscal Year	Full-time	Part-time	Total
2006	253	1,967	2,220
2007	286	1,802	2,088
2008	333	1,733	2,066
2009	351	1,792	2,143
2010	372	1,713	2,085
2011	415	1,740	2,155

ANNUAL FINANCIAL STATEMENT INFORMATION

Financial Information

As required by accounting principles generally accepted in the United States of America, the financial condition of the University is presented in the Balance Sheet, the Statement of Activities, and the Statement of Cash Flows. The Balance Sheet reports on the amounts of the University's assets, liabilities and net assets at the end of a reporting period. The Statement of Activities reports the amount of change in the University's unrestricted net assets, temporarily restricted net assets, permanently restricted net assets, and total net assets for the period. The Statement of Cash Flows provides relevant information about the University's cash receipts and cash payments for the period; the statement classifies those receipts and payments as resulting from operating, investing, and financing activities. The financial statements as of and for the year ended June 30, 2010 are prepared in accordance with United States Generally Accepted Accounting Principles and, together with the related notes to financial statements and the report of KPMG LLP, the University's independent public accountants, are included in Appendix B to this Official Statement. The following financial summaries have been compiled from the audited financial statements of the University and other analysis and schedules prepared by the University. The information as of and for the year ending June 30, 2011 has been prepared by the University and has not been audited by the University's accountants. In the University's opinion, this information has been prepared on the same basis as the audited financial statements and includes all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the information included therein. While there can be no assurance that the audited financial statements will not differ materially from this presentation, in the opinion of the University's management, there has been no material adverse change in the financial condition of the University since June 30, 2010, the date of the last audited financial statements.

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The New School
Five Year Statements of Unrestricted Activities
Year Ended June 30,
(Dollars in Thousands)

	2006	2007	2008	2009	2010	Unaudited 2011
Operating Revenues						
Net tuition and fees	\$ 163,125	177,325	196,890	212,670	226,168	237,714
Contributions	7,374	2,645	4,577	3,048	2,504	1,207
Grants and contracts	8,638	9,300	5,191	3,949	5,575	7,281
Endowment support used in operations	4,041	5,350	5,820	6,546	6,283	4,762
Other investment income	3,669	386	3,562	502	1,545	2,442
Auxiliary activities	17,812	20,518	23,322	26,161	27,528	28,299
Other income	4,008	5,669	3,881	2,520	2,938	3,954
Net assets released from restrictions	22,696	19,411	23,733	19,015	17,169	17,461
Total Operating Revenues	231,363	240,604	266,976	274,411	289,710	303,120
Operating Expenses						
Instruction and departmental research	82,869	85,053	91,476	97,894	103,353	111,351
Sponsored research and public service	10,329	12,086	8,500	8,319	8,735	9,335
Academic support	26,844	32,274	40,550	46,559	53,958	58,898
Student services	14,663	15,186	15,935	18,042	18,460	19,616
Institutional support	59,760	61,591	66,137	66,628	65,592	70,148
Auxiliary activities	19,251	18,596	20,952	22,721	25,775	26,957
Total operating expenses	213,716	224,786	243,550	260,163	275,873	296,305
Change in net assets from operating activities	17,647	15,818	23,426	14,248	13,837	6,815
Nonoperating Activities						
Endowment return	9,533	21,030	(8,487)	(22,662)	11,400	17,711
Endowment return appropriated	(4,041)	(5,350)	(5,820)	(6,546)	(6,283)	(4,762)
Capital project related charges	-	-	(6,500)	(2,371)	-	-
Other, net	-	380	186	348	(219)	(1,021)
Cumulative effect of changes in accounting principles	-	-	-	-	-	(10,365)
Net assets released for capital expenditures	3,576	9,087	4,850	9,011	255	738
Change in net assets from nonoperating activities	9,068	25,147	(15,771)	(22,220)	5,153	2,301
Change in unrestricted net assets	\$ 26,715	40,965	7,655	(7,972)	18,990	9116

The operating margin is derived by dividing the change in net assets from operating activities by total operating revenues. The following are the University's operating margins for the past six fiscal years.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Margin	7.6%	6.6%	8.8%	5.2%	4.8%	2.2%

**The New School
Balance Sheets
Year Ended June 30,
(Dollars in Thousands)**

	2006	2007	2008	2009	2010	Unaudited 2011
ASSETS						
Cash and cash equivalents	\$ 4,006	3,327	7,257	2,683	2,488	2,434
Student accounts receivable, net	4,941	5,399	6,754	7,433	7,777	8,384
Contributions receivable, net	29,135	48,374	50,019	41,447	42,079	38,863
Investments	235,165	299,654	289,382	271,034	285,557	309,268
Deferred charges and other assets	12,988	14,286	14,232	12,056	12,913	20,449
Funds held by bond trustee	6,951	28,521	12,745	7,674	6,975	284,527
Student loans receivable, net	5,032	5,070	5,465	4,851	4,751	4,376
Land, buildings and equipment, net	147,473	197,701	217,222	219,599	236,273	273,539
Total assets	\$ 445,691	602,332	603,076	566,777	598,813	941,840
LIABILITIES & NET ASSETS						
Accounts payable and accrued expenses	\$ 31,585	38,547	36,815	36,012	39,887	54,757
Deferred revenue	9,779	10,887	11,001	10,730	11,270	11,346
Federal Perkins student loan advances	3,852	3,852	3,852	3,852	3,852	3,774
Long-term debt	81,722	157,068	154,797	152,129	147,977	440,258
Total liabilities	\$ 126,938	210,354	206,465	202,723	202,986	510,135
Net Assets						
Unrestricted	\$ 169,156	210,121	217,777	209,805	228,795	237,911
Temporarily restricted	83,206	112,281	107,946	81,873	95,356	119,590
Permanently restricted	66,391	69,576	70,888	72,376	71,676	74,204
Total net assets	318,753	391,978	396,611	364,054	395,827	431,705
Total liabilities & net assets	\$ 445,691	602,332	603,076	566,777	598,813	941,840

Management Discussion of Recent Financial Performance

The University's financial management team strives to maintain a state of "financial equilibrium," defined as (a) a balanced operating budget that provides resources available for investment in University priorities; (b) preservation and enhancement of the physical assets; and (c) growth of the financial assets. The University's annual operating budget, capital budget, long-range financial plan, financial operations, investment management, and fund raising efforts are all directed toward maintaining an appropriate balance between these three objectives.

The University has been successful in meeting these objectives throughout the 2000 decade. Operating budgets are balanced and, as noted in the capital budget discussion that follows, the University has committed resources to the preservation and enhancement of its buildings and plant. The endowment has grown to \$188 million as of June 2010 from \$90 million in June 2001. The financial summaries demonstrate strong financial results throughout the five fiscal years ending in 2010. The budget has generated positive operating margins of 6.6%, on average, over the past five years with minimal reliance on investment income (less than 3%). Operating revenues through this period grew, on average 5.8% per year while operating expenses grew, on average 6.6%. Total net assets have grown to \$396 million, nearly \$77 million at an average annual rate of about 5.6% over this period. This growth is primarily due to strong operational performance, investment return, and fund raising.

The University's financial results for fiscal 2010 were positive. The University completed fiscal 2010 with an overall \$31.8 million increase in net assets. The University achieved a strong surplus of \$13.8 million from unrestricted operating activities. Key financial highlights follow.

Changes in Net Assets			
Fiscal 2010			
<i>Dollars in Thousands</i>			
	Operating	Non- operating	Total
Change in unrestricted net assets	\$ 13,837	5,153	18,990
Change in temporarily restricted net assets	(778)	14,261	13,483
Change in permanently restricted net assets	-	(700)	(700)
Total change in net assets	\$ 13,059	18,714	31,773

During fiscal 2010, unrestricted net assets from operating activities increased by \$13.8 million, representing a 4.8% operating margin. Unrestricted operating revenues increased 5.6% to \$289.7 million reflecting strong enrollment. Net tuition revenue grew by 6.3%, while the tuition discount increased to 24.3% from 22.6%. Operating expenses increased 6.0% to \$275.9 million.

Total contributions were about \$29.5 million in fiscal 2010, compared to \$17.7 million the year before.

Unrestricted non-operating activities increased net assets by \$5.2 million primarily due to an investment return of \$11.4 million, net of \$6.3 million used in operations.

Temporarily restricted net assets increased by \$13.5 million driven principally by contributions to capital projects and endowment return. Total assets grew by \$32 million, or 5.7%, to nearly \$599 million; net assets increased 8.7% to \$395.8 million. Liabilities grew by less than \$0.3 million.

Cash and investments increased \$14.3 million or 5.2% to \$288 million. The University's endowment investment portfolio stood at about \$195 million as of June 30, 2010; about 46% of the endowment portfolio had daily liquidity. Cash and other operating investments totaled \$93 million, of which 98% had daily liquidity.

Long-term debt decreased 2.7% to \$148 million.

Unaudited Fiscal 2011 Results

Based on unaudited financial results, fiscal 2011 unrestricted net assets from operating activities increased by \$6.8 million, representing a 2.2% operating margin. Unrestricted operating revenues totaled \$303.1 million, representing a 4.6% increase. Fall 2010 degree enrollment grew 2.8%, net tuition revenue grew 5% and the tuition discount was 25.4%. Operating expenses increased 7.4% to \$296.3 million. The fiscal 2011 budget included approximately \$18 million in contingencies and reserves and the University elected to spend approximately \$11.5 million of those funds on continued investments in the University's academic program.

Non-operating activities increased unrestricted net assets by \$2.3 million primarily due to an investment return of \$17.7 million, net of \$4.8 million used in operations and a \$10.4 million reclassification of unrestricted endowment funds to temporarily restricted net assets upon the September 2010 enactment of the New York Prudent Management of Institutional Funds Act in accordance with generally accepted accounting principles. Temporarily restricted net assets increased by \$24.2 million, driven principally by contributions to capital projects, endowment return, and the \$10.4 million reclassification.

Changes in Net Assets
Unaudited Fiscal 2011
Dollars in Thousands

	Operating	Non- operating	Total
Change in unrestricted net assets	\$ 6,815	2,301	8,815
Change in temporarily restricted net assets	2,222	22,012	24,234
Change in permanently restricted net assets	-	2,528	2,528
Total change in net assets	\$ 9,037	26,841	35,777

Total assets grew by \$343 million, or 57.3%, to \$941.6 million; net assets increased 9.1% to \$431.7 million. Liabilities grew by \$307.1 million. These changes largely reflect the issuance of the Series 2010 Bonds.

Cash and investments increased 8.2% to \$311.7 million. The University's endowment investment portfolio stood at about \$223 million on June 30, 2011. As of June 30, 2011 approximately 32% of the endowment portfolio had daily liquidity, and operating cash and investments totaled \$87 million, of which 99% had daily liquidity.

Long-term debt increased by \$292.3 million reflecting the issuance of Series 2010 Bonds in November 2010 to finance The University Center, which is scheduled to be available for occupancy in the fall of 2013.

Fiscal 2012 Operating Budget

The University's budget for fiscal 2012 is based on \$330 million of operating revenues, a 9% increase over fiscal 2011. The budget incorporates a tuition rate increase of 4.65% for undergraduate and graduate programs, a tuition discount of 26% and \$12 million in contingencies and reserves to help address unforeseen events during the fiscal year.

Also in fiscal 2012, the University budgeted \$12 million for The University Center's capital-related expenses. Operating budgets are being incremented \$5 million on average through 2015 to ensure sufficient funding for a \$26 million operating budget net increase (\$15 million of which is depreciation) in 2015 when The University Center and additional floors at 79 Fifth Avenue are fully occupied. The fiscal 2012 operating budget includes a \$13 million provision for depreciation.

Despite the financial crisis, The New School continues to invest in enhancing the institution. In the fiscal 2010 and 2011 budgets, the University made investments in strengthening the Provost's Office (\$2.1 million) and funded the hiring of additional full-time faculty (\$5.4 million). The fiscal 2012 budget continues this practice, providing funding for new academic programs and new full-time faculty of \$4.2 million. The University has also made investments in providing additional financial aid to help students, and their families, cope with economic stress (\$2.7 million).

The University continues to seek opportunities for efficiencies in operational structures and programs and to identify avenues for increased revenue. The University remains committed to ensuring our long-term fiscal health and making the appropriate investments to deliver strong academics at a reasonable price.

Capital Budget

The University develops its capital budget in the context of a facility master plan and a multi-year plan directed toward ameliorating critical maintenance and enhancing facilities. The University typically spends from operating funds approximately \$8 to \$10 million annually on major repair and renovation and critical maintenance projects to ensure the integrity of the physical plant and address health and life safety issues. Additional special purpose projects may be funded through capital gifts, grants, and bond monies.

Capital expenditures for the last six fiscal years follow.

Capital Expenditures					
<i>Dollars in Thousands</i>					
2006	2007	2008	2009	2010	2011 Unaudited
\$17,694	\$64,308	\$30,601	\$17,104	\$29,195	\$49,991

Capital spending in fiscal 2011 includes \$30 million on The University Center. The University's capital budget for fiscal 2012 reflects \$11.5 million for major building renovation and repair and technology projects, in addition to The University Center Project.

Financial Plan

In 2010, the University developed a five-year financial plan to manage its growth and ensure the availability of appropriate resources for The University Center. The financial plan relies on 4% enrollment growth targets through 2017, reasonable tuition and residence hall revenue increases, and conservative budgeting with contingencies and reserves to achieve positive operating margins. The University is committed to the reduction of operating expenses should the required growth in net tuition revenue not be achieved or mitigated by other unanticipated operating revenue. The financial plan calls for increasing incrementally the operating budget by at least \$5 million for University Center-related capital expenditures each year through 2015 to get to \$26 million (\$15 million of which is depreciation), which reflects the net impact on the budget in fiscal 2015 when The University Center comes online. This approach will soften the impact of the new facility on operating expenses and generate free cash, some of which will be used on The University Center Project. The key challenges to the financial plan are as follows:

Maintaining Student Demand – The University must have a broad base of applicants in order to achieve its enrollment targets and continue to improve its academic profile.

Positive Operating Margins – The University must successfully manage the mix of enrollment, pricing, facilities and cost control to continue to generate positive operating margins.

Successful Completion of The University Center – The University Center is a key factor in maintaining student demand and requires a high degree of institutional focus for on-time and on-budget completion.

Solid Investment Returns and Growth in Fundraising – Investment returns and fundraising are important sources of revenue that must be successfully achieved in the context of external factors such as the economy and market volatility.

Endowment Portfolio

Investments are composed of endowment, operating, and other assets. The endowment is invested with a long-term objective. Total investments at June 30, 2010 and June 30, 2011 (unaudited) were \$286 million and \$309 million respectively. Investments were comprised as follows:

University Investments		
June 30		
<i>Dollars in Millions</i>		
	FY 2010	FY 2011 Unaudited
Endowment	\$ 195,120	222,976
Operating	88,794	84,593
Split interest agreements	1,643	1,699
Total investments	\$ 285,557	309,268

In fiscal 2010 the endowment portion of the investments increased by a net \$14.7 million; the endowment paid out approximately \$10.6 million in support of operations.

The fair value of the endowment investment portfolio and endowment fund value was \$195.1 million and \$187.3 million, respectively, at June 30, 2010. Based on unaudited results as of June 30, 2011 endowment, investments increased by \$27.8 million to \$223 million.

The University's endowment was valued at \$90.4 million at June 30, 2000. The endowment value has more than doubled by the end of fiscal 2011. The University's endowment values, excluding pledges, for the past six years are as follows.

Endowment Values

June 30

Dollars in Millions

2006	2007	2008	2009	2010	2011 Unaudited
\$199.1	\$232.2	\$214.0	\$175.6	\$187.3	\$216.1

The endowment portfolio returned a net \$34.9 million, or 19.1%, in fiscal 2011. The University's annual net returns for the past six years were as follows.

Endowment Annual Returns

June 30

2006	2007	2008	2009	2010	2011 Unaudited
11.2%	17.4%	(6.0%)	(15.4%)	10.5%	19.1%

The following table sets forth the composition of the University's portfolio asset allocation:

Endowment Portfolio Asset Allocation by Percentage

As of June 30,

	FY 2010	FY 2011 Unaudited
Domestic Equity	10.4	12.8
International Equity	7.8	8.0
Global Equity	9.9	10.2
Cash and cash equivalents	1.3	0.4
Fixed income	36.2	21.5
Hedge Funds	20.4	26.4
Real Assets	9.2	12.7
Private Equity	4.8	8.0
	100.0	100.0

The University's outstanding commitment to alternative assets, including hedge funds, real estate, and private equity, as of June 30, 2011 was \$6.4 million. In fiscal 2011 the University reduced its fixed income exposure by re-allocating to real assets and hedge funds in accordance with its long-term strategic allocation targets.

The University uses a total return approach in its endowment management. Under this approach, investment managers invest for maximum return, whether it is in securities with high current yields or in growth stocks. In order to balance the preservation and enhancement of the endowment's future purchasing power and spending for current needs, the University applies a 5% spending rate to a three-year moving average of the endowment's market value. The purpose of using a moving average is to smooth out any wide fluctuations in the year-end market value. Endowment earnings in excess of the spending rate are added back to the principal of the endowment investments.

As of June 30, 2010, about 53% of the endowment value is "true" endowment with the remaining 47% representing quasi-endowment, which approximated the same as of June 30, 2011.

Fundraising

Fund raising at The New School is coordinated by the Vice President for Development and Alumni Relations. The ongoing investment by the University in development and alumni relations is reflected in the significant growth of this office, from 12 employees in 2002 to 45 today.

A major change in the structure occurred in the summer of 2007 when development functions across the University were consolidated into one office. This restructuring allowed for greater collaboration between front line fundraisers and their colleagues who provide critical functions to support revenue generation: Research, Stewardship, Alumni Relations, Special Events, and the like. The centralized office and investment in research have helped to identify over 58,000 living alumni, residing in all 50 states and in more than 100 countries worldwide. In 2005, the University's contactable rate (active address, email, and phone on record) was 67% and today it is 83%. In fiscal year 2007, the University began a successful multi-year fundraising effort for The University Center Project. In the last six years, the University has raised more than \$193 million in private support. This brings the New School to 99% of its six year aggregate goal of \$195 million. Targets were surpassed in three of the six past fiscal years, in 2006, 2007, and 2010, while goals were not reached in fiscal years 2008 and 2009 due to the impact of the economic crisis and subsequent recession, as well as the continued economic disruption experienced in 2011. The chart below outlines fundraising totals compared to University goals during the past six fiscal years.

University Fundraising							
<i>Dollars in Thousands</i>							
		2006	2007	2008	2009	2010	2011
Funds raised	\$	37,065	53,318	33,509	20,838	27,441	20,767
University goal		36,000	38,000	40,000	32,000	24,500	24,500
Percent of Goal		103%	140%	84%	65%	112%	85%

Plant Values

Land and buildings owned by the University have a \$156.8 million net book value on the balance sheet as of June 30, 2011, which were appraised at \$592 million as of June 30, 2010. In the unlikely event of a serious credit decline, the University could liquidate individual buildings or leased space over time.

As used hereafter unless otherwise indicated by the context, all University financial and other data or references to any year refer to the fiscal year ending June 30.

The following table sets forth the asset categories at cost during the past six fiscal years.

Land, Buildings and Equipment							
<i>Dollars in Thousands</i>							
		2006	2007	2008	2009	2010	2011 Unaudited
Land and air rights	\$	39,187	46,484	47,147	47,171	47,176	47,176
Buildings and building improvements		138,740	157,143	186,268	183,453	186,601	191,296
Leasehold improvements		15,226	25,857	41,353	49,357	50,484	55,533
Furniture and equipment		22,482	18,490	19,269	18,631	19,914	15,408
Equipment held under capital leases		3,658	3,658	3,658	3,658	3,658	-
Construction in progress		7,014	28,386	11,468	9,023	28,420	66,530
	\$	226,307	280,018	309,163	311,293	336,253	375,943
Less accumulated depreciation		(78,834)	(82,317)	(91,941)	(91,694)	(99,980)	(102,403)
	\$	147,473	197,701	217,222	219,599	236,273	273,539

Outstanding Indebtedness

As of June 30, 2011, the University had long-term indebtedness relating to tax-exempt revenue bonds issued by the Authority of \$440 million, net of bond discounts and premiums. Long-term debt consisted of the following at June 30, 2011:

Bonds Payable				
<i>Dollars in Thousands</i>				
Description	Maturity Date	Interest Rate	2010 Principal Balance	2011 Principal Balance
Series 2010	July 1, 2050	5.00-6.00	\$ -	301,055 (A)
Series 2006	July 1, 2046	4.00-5.00	70,665	69,915 (B)
Series 2005	July 1, 2026	4.00-5.00	19,925	18,190 (C)
Series 2001	July 1, 2041	3.00-5.00	19,820	19,545 (D)
Series 1999	July 1, 2033	3.75-5.00	33,725	33,005 (E)
Less unamortized discount			(1,074)	(8,137)
Add unamortized premium			4,916	6,685
			<u>\$ 147,977</u>	<u>440,258</u>

- A. On October 27, 2010, the University entered into the Loan Agreement to issue the Series 2010 Bonds for \$301.1 million to finance the construction of The University Center, which is an academic building and a 608-bed dormitory on top of the academic floors, located at 65 Fifth Avenue. The University executed a mortgage on 65 Fifth Avenue as collateral for the loan. Payment of the principal and interest on \$56,590,000 of the Series 2010 Bonds maturing in July 2043 is insured by a financial guaranty insurance policy.
- B. On November 20, 2006, the University entered into a loan agreement with the Authority to issue tax-exempt Insured Revenue Bonds for \$72.5 million to finance the acquisition of a student residence facility at 300 West 20th Street, renovations, and improvements to existing facilities and to pay the cost of termination of an interest rate exchange agreement entered into with respect to the bonds. The University pledged tuition revenues, executed a mortgage on 55 West 13th Street and 2 West 13th Street, and granted the Authority a security interest in certain fixtures, furnishings, and equipment therein as collateral for the loan.
- C. On June 16, 2005, the University entered into a loan agreement with the Authority to issue tax-exempt Insured Revenue Bonds for \$21.9 million to advance refund other bonds. The net proceeds, along with amounts previously held in escrow, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the tax-exempt bonds, issued under loan agreements with the New York City Industrial Development Agency in September 1994 and June 1995 and under a loan agreement with the Authority in April 1997, were defeased. The University pledged tuition revenues and executed a mortgage on property located at 55 West 13th Street, as well as 66, 68, and 70 Fifth Avenue as collateral for the loan.
- D. On October 16, 2001, the University entered into a loan agreement with the Authority to issue Insured Revenue Bonds for \$21.5 million to finance the acquisition and renovation of a student residence facility at 118 West 13th Street. The University pledged tuition and fee revenues and executed the Series 2001 Mortgage on 118 West 13th Street land and building as collateral for the loan.
- E. On May 20, 1999, the University entered into a loan agreement with the Authority to issue Insured Revenue Bonds for \$42.5 million. A portion of the proceeds was used to prepay \$5.6 million of taxable debt issued by the Student Loan Marketing Association in 1996 and 1997. The remaining proceeds were used to finance the acquisition, renovations, and improvements to new and existing facilities and equipment. The University pledged tuition revenues and executed the Series 1999 Mortgage on its property located at 22-26 East 14th Street and its 72 Fifth Avenue Condominium interests as collateral for the loan.

Loan agreements require the University to meet certain covenant conditions as a prerequisite to incurring additional long-term debt or refinancing existing debt. Additionally, the loan agreements require the University to maintain a percentage of unrestricted net assets, excluding net investment in plant, plus temporarily restricted net assets (spendable net assets) to total long-term debt outstanding in excess of 40%. The debt covenants also require that the percentage of the maximum annual scheduled debt service in any year to unrestricted revenues not exceed 10%.

Debt Covenant Ratios						
	2006	2007	2008	2009	2010	2011 Unaudited
Spendable net assets to long-term debt	121%	164%	165%	146%	159%	55%
Maximum annual debt service to unrestricted revenue	2.9%	4.1%	4.3%	4.3%	3.7%	9.1%

Unsecured Line of Credit

The University established a \$25 million unsecured line of credit with Bank of America, N.A. in May 2011, renewable annually. No borrowings were outstanding under the line of credit in fiscal 2011. Amounts borrowed under the credit line are payable within one year with interest payable at a rate equal to LIBOR plus 0.7%. The LIBOR rate is one, two, three or six months as selected by the University. If the University does not select a LIBOR duration, then the loan will automatically convert to a prime rate loan.

Pension Plan

The University has a defined contribution retirement plan which covers substantially all of its employees except union employees and which is funded through direct payments to the Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund for the purchase of individual annuities. For each eligible employee, the University's contributions are determined as a percentage of each covered employee's salary, taking into account the age and accrued service of each employee. Contributions to the union plans are based on rates required by union contract. Retirement contributions paid by the University under these plans and charged to expense for the year 2010 totaled \$10.5 million. Based on unaudited results, retirement contributions paid by the University and charged to expense for the year 2011 totaled \$ 11.6 million.

The University Center Project

In December 2010, the University issued \$301.1 million principal amount of the Series 2010 Bonds through the Authority. Proceeds of the Series 2010 Bonds, together with other money of the University, are being used to finance the construction of The University Center, a 608-bed dormitory on top of The University Center and the renovation of three floors in a building leased by the University. The new student residence will replace leased residences and provide room for growth. The University Center and additional floors in 79 Fifth Avenue will add approximately 413,000 gross square feet to the campus.

The total cost of The University Center Project is estimated to be \$420 million. The University expects to fund the project through operating monies (approximately \$35 million), gifts (approximately \$82 million), grants (approximately \$8 million) and proceeds of the Series 2010 Bonds.

Prior to completion of The University Center Project, a number of governmental permits and approvals must be obtained sequentially as the work progresses. All regulatory agency permits are issued at the sole discretion of the applicable regulatory agency. Based on experience to date, and the track record of the professionals applying for the various approvals, the University expects that the remaining permits and approvals required for the project will be obtained at the appropriate milestones.

The table below presents a projected timeline of the key events in the construction of The University Center as completed and anticipated to be completed by the University. The dates indicated below are estimates, which are subject to change.

<u>Schedule Status</u>	<u>Projected Target Dates</u>	<u>Status</u>
Abatement-interior/façade	October 2009-June 2010	Complete
Bracing and Jack Piles/support and protection of adjacent buildings	March 2010-September 2010	Complete
Demolition	September 2010-December 2010	Complete
Excavation Foundation	December 2010-August 2011	Complete
Superstructure/above-grade structure	September 2011-May 2012	On schedule
Façade/Building Enclosure	May 2012-October 2012	On schedule
Interiors	July 2012-June 2013	On schedule
Temporary Certificate of Occupancy Process – Dorm	June 2013-August 2013	On schedule
Temporary Certificate of Occupancy Process – Academic	June 2013, August 2013	On schedule
Dormitory Move-in	August 2013	On schedule
Academic Move-in	November 2013	On schedule

Insurance

The University maintains fire and extended coverage, including boiler explosion, vandalism and service interruption, on substantially all of its properties in the amount of approximately \$145 million under a blanket University-wide policy (and on a repair or replacement basis), with a \$10,000 per loss deductible.

Financial Advisor

The University has engaged Public Resources Advisory Group to act in the capacity of independent financial advisor to the University in connection with the issuance of the Series 2011 Bonds.

LITIGATION

The University in the normal course of its operations is a defendant in various legal proceedings. While it is not feasible to predict the ultimate outcomes of such matters, it is the opinion of management of the University and general counsel to the University that resolution of these actions will not have a material adverse effect on the University's financial position.

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 September 30, 2011, the Authority had approximately \$44.5 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

The total amounts of the Agency’s bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at September 30, 2011 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	\$ 2,480,000
Insured Mortgage Programs	6,625,079,927	220,185,000
Revenue Bonds, Secured Loan and Other Programs.....	<u>2,414,240,000</u>	<u>3,965,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 226,630,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 226,630,000</u>

Governance

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

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

The current members of the Authority are as follows:

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

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

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of

the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2013.

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

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President/Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd/Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund and a member of the Board of Directors at Ronald McDonald House of New York. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the state's chief investment officer, he managed the assets of the NY Common Retirement Fund, valued at \$120 billion, and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

CHARLES G. MOERDLER, Esq., New York.

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

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

Ms. Snyder was appointed as a member of the Authority by the Governor on June 15, 2011. She is currently a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. Previously, she was Vice President, General Counsel and a Director of Biocraft Laboratories, Inc. and a Director of Teva Pharmaceuticals. Ms. Snyder serves as a Board member of the Beatrice Snyder Foundation, the Roundabout Theater, the Advisory Committee of the Hospital of Joint Diseases and the Optometric Center of New York, where she also serves on the Investment Committee. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2013.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice

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

GERARD ROMSKI, Esq., Mount Kisco.

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

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

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

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

Dr. John B. King, Jr., was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as chief executive officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Dr. King is also responsible for licensing, practice and oversight of numerous professions. Dr. King previously served as Senior Deputy Commissioner for P-12 Education at the New York State Education Department. Prior thereto, Dr. King served as a Managing Director with Uncommon Schools. Prior to this, Dr. King was Co-Founder and Co-Director for Curriculum & Instruction of Roxbury Preparatory Charter School and prior to that, Dr. King was a teacher in San Juan, Puerto Rico and Boston, Massachusetts. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

NIRAV R. SHAH, M.D., M.P.H., *Commissioner of Health*, Albany; *ex-officio*.

Nirav R. Shah, M.D., M.P.H., was appointed Commissioner of Health on January 24, 2011. Prior to his appointment he served as Attending Physician at Bellevue Hospital Center, Associate Investigator at the Geisinger Center for Health Research in central Pennsylvania, and Assistant Professor of Medicine at the NYU Langone Medical Center. Dr. Shah is an expert in use of systems-based methods, a leading researcher in use of large scale

clinical laboratories and electronic health records and he has served on the editorial boards of various medical journals. He is a graduate of Harvard College, received his medical and master of public health degrees from Yale School of Medicine, was a Robert Wood Johnson Clinical Scholar at UCLA and a National Research Service Award Fellow at NYU.

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

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

The principal staff of the Authority is as follows:

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

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

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

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and

communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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

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

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

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2011 Bonds.

Legislation

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

Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

The Authority complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder respecting the Projects financed with proceeds from the Refunded Bonds 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, 2011. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

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

Under New York State law, the Series 2011 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2011 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 — NEGOTIABLE INSTRUMENTS

The Series 2011 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2011 Bonds.

PART 10 — TAX MATTERS

In General

In the opinion of Sidley Austin LLP, New York, New York, Bond Counsel, based on current law, assuming compliance by the Authority and the University with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and except as provided in the next sentence, interest on the Series 2011 Bonds is not includable in the gross income of the owners of the Series 2011 Bonds for purposes of federal income taxation. Interest on the Series 2011 Bonds will be includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Series 2011 Bonds (a) in the event of a failure by the Authority or the University to comply, subsequent to the issuance of the Series 2011 Bonds, with certain requirements of the Code" and covenants regarding the use, expenditure and investment of the Series 2011 Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury, or (b) in the event that the \$150 million limitation imposed by Section 145(b) of the Code on certain outstanding tax-exempt non-hospital bonds is exceeded within three years of the date of issue of the Series 2011 Bonds.

The above opinion with respect to the exclusion from gross income of the interest on the Series 2011 Bonds for federal income tax purposes may not be relied upon to the extent that such exclusion is adversely affected as a result of any action taken, or not taken, in reliance upon the opinion or advice of counsel other than Sidley Austin LLP.

In rendering this opinion, Bond Counsel has relied upon the representations made by the University with respect to certain material facts within the knowledge of the University and upon the accompanying opinion of its counsel and has made no independent investigation thereof.

Interest on the Series 2011 Bonds is not an item of tax preference item for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Sidley Austin LLP renders no opinion as a result of ownership of such Series 2011 Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of

interest that is excluded from gross income. Interest on the Series 2011 Bonds owned by a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S-corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Series 2011 Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Under current law, the interest on Series 2011 Bonds is exempt from personal income taxation of the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers).

Original Issue Discount

The excess, if any, of the amount payable at maturity over the initial offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) of a maturity of substantially identical Series 2011 Bonds at which price a substantial amount of such maturity of substantially identical obligations is sold constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Series 2011 Bonds for purposes of federal income taxation. The Code provides that the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest, and that an owner's adjusted basis for purposes of determining an owner's gain or loss on disposition of Series 2011 Bonds with original issue discount (the "OID Bonds") will be increased by such amount. A portion of the original issue discount that accrues in each year to an owner of an OID Bond which is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences described above. Consequently, owners of any OID Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such OID Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of an OID Bond that is not purchased in the initial offering at the first price at which such substantially identical Series 2011 Bonds is sold to the public may be determined according to rules that differ from those described above.

Owners of OID Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such OID Bonds, other tax consequences of owning or disposing of OID Bonds and state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

The excess, if any, between the tax basis of a maturity of substantially identical Series 2011 Bonds to a purchaser (other than a purchaser who holds such Series 2011 Bonds as inventory, stock in trade, or for sale to customers in the ordinary course of business) who purchases such Series 2011 Bonds at the initial offering price and the amount payable at maturity is "bond premium". Bond premium is amortized over the respective terms of the Series 2011 Bonds with bond premium (the "Premium Bonds") for federal income tax purposes (or, in the case of a Series 2011 Bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Series 2011 Bond). Owners of the Premium Bonds are required to decrease their adjusted basis in the Premium Bonds by the amount of amortizable bond premium attributable to each taxable year such Premium Bonds are held. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of the bond premium upon the sale or other disposition of Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the Series 2011 Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2011 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Future Developments

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Series 2011 Bonds will not have an adverse impact on the tax exempt status of the Series 2011 Bonds.

Future legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2011 Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2011 Bonds. Prospective purchasers of the Series 2011 Bonds should consult their tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

Based on a proposal by the President, the Senate Majority Leader introduced a bill, S. 1549 (the "Proposed Legislation"), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Series 2011 Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation in tax years beginning after December 31, 2012. The Proposed Legislation would also provide special rules for such bondholders that are also subject to the alternative minimum tax. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the Series 2011 Bonds to a tax or cause interest on the Series 2011 Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation on their individual situations.

Miscellaneous

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

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Section 4975 of the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In addition, each fiduciary of a Plan ("Plan Fiduciary") must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Series 2011 Bonds, including the role that such an investment in the Series 2011 Bonds would play in the Plan's overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Series 2011 Bonds, must be satisfied that such investment in the Series 2011 Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Series 2011 Bonds, are diversified so as to minimize the risk of large losses, and that an investment in the Series 2011 Bonds complies with the documents of the Plan and related trust, to the extent such

documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2011 Bond.

PART 11 — STATE NOT LIABLE ON THE SERIES 2011 BONDS

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable on them and that such notes and bonds are not payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2011 Bonds are not a debt of the State and that the State is not liable on them.

PART 12 — COVENANT BY THE STATE

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

PART 13 — LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2011 Bonds by the Authority are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2011 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the University by its Special Counsel, Nixon Peabody LLP, New York, New York and certain other legal matters will be passed upon for the University by its general counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Edwards Wildman Palmer LLP (formerly Edwards Angell Palmer and Dodge LLP), New York, New York and The Hardwick Law Firm LLC, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2011 Bonds or questioning or affecting the validity of the Series 2011 Bonds or the proceedings and authority under which they are to be issued.

PART 14 — UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2011 Bonds from the Authority at an aggregate purchase price of \$36,992,034.24 and to make a public offering of Series 2011 Bonds at prices that are not in excess of the public offering prices stated on the cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2011 Bonds if any are purchased.

The following two sentences have been provided by J.P. Morgan Securities LLC: J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2011 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2011 Bonds, to the retail customers of UBSFS and CS&Co at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS& Co. will purchase Series 2011 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011 Bonds that such firm sells.

M.R. Beal & Company, one of the Underwriters of the Series 2011 Bonds, has entered into an agreement (the “Distribution Agreement”) with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Distribution Agreement (as applicable for the sale of the Series 2011 Bonds), M.R. Beal & Company will share a portion of its underlying compensation with respect to the sale of the Series 2011 Bonds with TD Ameritrade, Inc.

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

PART 15 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc., a firm of independent public accountants, will deliver to the Authority its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Authority and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Investment Securities deposited with the trustees under the resolutions pursuant to which the Refunded Bonds were issued to pay the redemption price of and interest coming due on the Refunded Bonds on the redemption date or respective redemption dates as described in “PART 4 - THE REFUNDING PLAN.” Causey Demgen & Moore Inc. will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2011 Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2011 Bonds from gross income for federal income tax purposes.

PART 16 — 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, 2011, for filing by DAC with the Municipal Securities Rulemaking Board (“MSRB”) and its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in “PART 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.

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 and the Trustee have undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the University, the Trustee or the Authority, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2011 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the

University, the Authority or the Trustee has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the 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 2011 Bonds or any other party. DAC has no responsibility for the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the University, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the University, the Trustee and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in "PART 6 - THE UNIVERSITY" under the headings "OPERATING INFORMATION" and "ANNUAL FINANCIAL STATEMENT INFORMATION" relating to: (1) *student admissions and enrollment*, similar to that set forth in the tables under the subheading "**Student Applications, Acceptances and Enrollments**;" (2) *tuition and other student charges*, similar to that set forth in the table under the subheading, "**Tuition and Fees**;" (3) *financial aid*, similar to that set forth in the tables under the subheading, "**Financial Aid and Scholarships**;" (4) *faculty*, similar to that set forth in the table under the subheading, "**Academic Faculty**;" (5) *employee relations*, including material information about union contracts and, unless such information is included in the audited financial statements of the University, retirement plans; (6) *investments*, unless such information is included in the audited financial statements of the University; (7) *plant values*, unless such information is included in the audited financial statements of the University; and (8) *outstanding long-term indebtedness*, unless such information is included in the audited financial statements of the University; together with (b) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the University and in judging the financial and operating condition of the University.

The Notices include notices of any of the following events (the "Notice Events") with respect to the Series 2011 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, IRS notices or events affecting the tax status of the Series 2011 Bonds; (7) modifications to the rights of holders of the Series 2011 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2011 Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the University; (14) merger, consolidation or acquisition of the University, if material; and (15) appointment of a successor or additional trustee, or the change in name of a trustee, if material. In addition, DAC will undertake, for the benefit of the Holders of the Series 2011 Bonds, 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 2011 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 2011 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2011 Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2011 Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2011 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2011 Resolution or

the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

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

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

PART 17 — RATINGS

Moody's Investors Service ("Moody's") has assigned a rating of "A3" to the Series 2011 Bonds. Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") has assigned a rating of "A-" to the Series 2011 Bonds. Such ratings reflect only the views of such rating agencies and any desired explanation of the significance of such rating should be obtained from the rating agencies at the following addresses: Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's, 55 Water Street, New York, New York 10041. 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 either rating agency (or both) if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Series 2011 Bonds.

PART 18 — MISCELLANEOUS

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

The agreements of the Authority with Holders of the Series 2011 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2011 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2011 Bonds.

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

The information regarding the 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.

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

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

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

The University has reviewed the parts of this Official Statement describing the University, the Estimated Sources and Uses of Funds, the Refunding Plan and Appendix B. The University, as a condition to issuance of the Series 2011 Bonds, is required to certify that as of the date of this Official Statement, such parts do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The 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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CERTAIN DEFINITIONS

Appendix A

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CERTAIN DEFINITIONS

In addition to the terms defined in this Official Statement, the following definitions of certain terms are for the use of this Official Statement including the summaries of certain provisions of the Resolution and Loan Agreement. Capitalized terms used herein without other definition have the meaning set forth in the Resolution.:

Accreted Value means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or the Bond Series Certificate relating thereto and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

Act means the Dormitory Authority Act being Title 4 of Article 8 of the Public Authorities Law of the State, as amended, including without limitation by the Health Care Financing Consolidation Act, being Title 4-B of Article 8 of the Public Authorities Law of the State.

Annual Administrative Fee means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority in an amount more particularly described in Schedule B attached to the Loan Agreement, which amount shall not exceed \$100,000 per year.

Appreciated Value means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or the Bond Series Certificate relating thereto and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

Arbitrage Rebate Fund means the fund so designated and established by a Series Resolution pursuant to Section 5.02 of the Resolution.

Asset Maintenance Ratio means the ratio obtained by dividing the Unrestricted Net Assets plus the Temporarily Restricted Net Assets by Long-Term Indebtedness.

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

Authority Fee means the fee payable to the Authority attributable to the issuance of the Bonds, as more particularly described in Schedule C attached to the Loan Agreement.

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

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

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

Bond or Bonds means any of the bonds of the Authority authorized and issued pursuant to the Resolution and to a Series Resolution, including the Series 2010 Bonds and the Series 2011 Bonds.

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

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

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

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

Book Entry Bond means a Bond of a Series authorized to be issued, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owner of such Bond.

Business Day means, unless otherwise defined in connection with Bonds of a particular Series, any day which is not a Saturday, Sunday or a day on which the Trustee or banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

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

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

Construction Fund means the fund so designated and established by a Series Resolution pursuant to Section 5.02 of the Resolution.

Continuing Disclosure Agreement means the agreement entered into in connection with the issuance of a Series of Bonds, by and among the Authority, the Institution and the Trustee, or such other parties thereto designated at such times, providing for continuing disclosure.

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of Bonds of a Series, which items of expenses shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, a Provider or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, commitment fees or similar charges relating to a Reserve Fund Facility, Credit Facility, a Liquidity Facility, or an Interest Rate Exchange Agreement, costs and expenses in connection with the refunding of Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a remarketing agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or Costs of the Project means when used in relation to a Project the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessarily or appropriately incurred in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, environmental inspections and assessments, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with the Project (including interest on money borrowed from parties other than the Institution), (viii) interest on the Bonds of a Series, bonds, notes or other obligations of the Authority issued to finance Costs of the Project that accrued prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of the Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project or pursuant to the Resolution or the Loan Agreement, a Mortgage, a Credit Facility, a Liquidity Facility or a Remarketing Agreement in connection with Option Bonds or Variable Interest Rate Bonds.

Credit Facility means, with respect to a Series of Bonds, an irrevocable letter of credit, surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement pursuant to which the Authority is entitled to obtain money to pay the principal and Sinking Fund Installments of and interest on particular Bonds whether or not the Authority is in default under the Resolution, which is issued or provided by:

1. a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;
2. an insurance company or association chartered or organized under the laws of any state of the United States of America
3. the Government National Mortgage Association or any successor thereto;
4. the Federal National Mortgage Association or any successor thereto; or
5. any other federal agency or instrumentality approved by the Authority.

Any such Credit Facility may also constitute a Liquidity Facility if it also meets the requirements of the definition of a Liquidity Facility set forth below.

Debt Service Fund means the fund so designated and established by a Series Resolution pursuant to Section 5.02 of the Resolution.

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

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

Defeasance Security means:

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

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

Deferred Income Bond means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semiannually on July 1 and January 1 of each Bond Year (unless otherwise provided in a Series Resolution or Bond Series Certificate with respect to a Series of Bonds).

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.

Dormitory Debt means all or that portion of any Indebtedness for money borrowed incurred, assumed or guaranteed by the Institution on or after July 1, 2005 and capital leases executed on or after July 1, 2005 for the purpose of acquiring, constructing, renovating or improving Dormitory Facilities, and that the Institution has designated as Dormitory Debt by written notice to the Authority; *provided, however*, that the aggregate principal amount of all such Indebtedness does not exceed \$80,000,000.

Dormitory Debt Service means for any Fiscal Year the amount payable by the Institution during such Fiscal Year in reduction of the principal of Dormitory Debt and for interest on Dormitory Debt, exclusive of any interest payable during such Fiscal Year from the proceeds of such Dormitory Debt or other Long-Term Indebtedness.

Dormitory Debt Service Coverage Ratio means at any date of calculation the ratio obtained by dividing Dormitory Net Revenues Available for Debt Service by the maximum amount of Dormitory Debt Service payable during the then current or any future Fiscal Year; *provided, however*, that for purposes of such calculation, if 25% or more of the principal amount of any Dormitory Debt comes due in any Fiscal Year either at maturity or by mandatory redemption or otherwise, the Dormitory Debt Service Coverage Ratio shall be calculated as though the

principal of and interest at the stated rate on such Dormitory Debt was payable in substantially equal installments during each Fiscal Year commencing with the Fiscal Year during which such Dormitory Debt was incurred and continuing to and including the thirtieth Fiscal Year thereafter.

Dormitory Expenses when used in connection with a Dormitory Facility for which Dormitory Debt is outstanding means as of any date of calculation all expenses paid during the immediately preceding Fiscal Year that are reasonably allocable to the maintenance and operation of such Dormitory Facility, exclusive of (i) the amount of general administrative or overhead expenses of the Institution reasonably allocable to such Dormitory Facility, (ii) depreciation and amortization expenses related to the Dormitory Facility, (iii) interest on Dormitory Debt related to such Dormitory Facility, and (iv) items deemed extraordinary in accordance with generally accepted accounting principles.

Dormitory Facility means any building or improvement, or portion thereof, used by the Institution exclusively to provide student housing or to provide student housing together with ancillary facilities or services, including but not limited to food, dining, health, laundry and health and fitness facilities or services, whether such building or part thereof is owned or leased by the Institution.

Dormitory Net Revenues Available for Debt Service means as of any date of calculation the Dormitory Revenues less the Dormitory Expenses.

Dormitory Revenues when used in connection with a Dormitory Facility for which Dormitory Debt is outstanding means as of any date of calculation the revenues received by the Institution during the immediately preceding Fiscal Year from the operation of such Dormitory Facility, exclusive of items deemed extraordinary in accordance with generally accepted accounting principles.

Event of Default has the meaning given to such term in Section 31 of the Loan Agreement.

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 excludable from gross income under Section 103 of the Code, which is not a specified private activity bond within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as + or - and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services.

Federal Agency Obligation means:

- (i) an obligation issued by any federal agency or instrumentality of the United States of America that is rated, without regard to qualification of such rating by symbols such as + or - and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services;
- (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by any federal agency or instrumentality of the United States of America that is rated, without regard to qualification of such rating by symbols such as + or - and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services; and
- (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing.

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

Government Obligation means:

- (i) an obligation issued by the United States of America;
- (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America; and
- (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to the Project or the Mortgaged Property, 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 created, and having or asserting jurisdiction over the Project or any Mortgaged Property or any part of either.

Indebtedness means, without duplication, (i) all obligations of the Institution recorded or required to be recorded as liabilities on the balance sheets thereof for the payment of moneys incurred or assumed by the Institution as determined in accordance with generally accepted accounting principles (exclusive of reserves such as those established for deferred taxes) and (ii) all contingent obligations of the Institution in respect of or to purchase or otherwise acquire or service, indebtedness of other persons, including but not limited to guarantees and endorsements (other than for purposes of collection in the ordinary course of business) of indebtedness of other persons, obligations to reimburse issues of letters of credit or equivalent instruments for the benefit of any person, and contingent obligations to repurchase property theretofore sold by such contingent obligor.

Institution means The New School, a co-educational institution of higher education chartered under the laws of the State or any successor thereto.

Institution Obligations means notes, bonds, debentures or other evidence of indebtedness issued or incurred by the Institution to finance in part the Costs of a Project.

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

Intercreditor Agreement means an agreement by and among, *inter alia*, the Authority and the Trustee, as creditors of the Institution, with respect to (i) the relative priorities of the liens upon the Pledged Revenues and, to the extent the obligations of the Institution to any two or more of such creditors is secured by a Mortgage on the same Mortgaged Property, the mortgage lien upon such Mortgaged Property, (ii) limitations or conditions upon their respective rights to enforce, foreclose or realize upon such liens, and (iii) the application of any money realized from the enforcement, foreclosure or other realization upon such liens.

Interest Commencement Date means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semiannually thereafter on July 1 and January 1 of each Bond Year (unless otherwise provided in a Series Resolution or a Bond Series Certificate with respect to a Series of Bonds).

Interest Rate Exchange Agreement means (i) an agreement entered into by the Authority or the Institution in connection with the issuance of or which relates to Bonds of a Series which provides that during the term of such agreement the Authority or the Institution is to pay to the counterparty thereto interest accruing at a fixed or variable rate per annum on an amount equal to a principal amount of such Bonds and that such counterparty is to pay to the Authority or the Institution an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds at a fixed or variable rate per annum, in each case computed according to a

formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement or (ii) interest rate cap agreements, interest rate floor agreements, interest rate collar agreements and any other interest rate related hedge agreements or arrangements.

Investment Agreement means a repurchase agreement or other agreement for the investment of money with a Qualified Financial Institution.

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

Lien means any mortgage, pledge, lien, charge or security interest in the nature thereof (including any conditional sales agreement, equipment trust agreement, or other title retention agreement) or other encumbrance of whatsoever nature.

Liquidity Facility means, with respect to a Series of Bonds, an irrevocable letter of credit, a surety bond, a loan agreement, a Standby Purchase Agreement, a line of credit or other agreement or arrangement pursuant to which money may be obtained upon the terms and conditions contained therein for the purchase of such Bonds tendered for purchase in accordance with the terms of a Series Resolution authorizing such Bonds or a Bond Series Certificate relating to such Bonds, which is issued or provided by:

(i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a savings and loan association;

(ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;

(iii) the Government National Mortgage Association or any successor thereto;

(iv) the Federal National Mortgage Association or any successor thereto; or

(v) any other federal agency or instrumentality approved by the Authority.

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

Long-Term Indebtedness means Indebtedness on which no payments are required to be made in reduction of the principal thereof for a period of more than one (1) year after such indebtedness was incurred or on which payments of principal may be extended at the option of the Institution to a date that is more than one (1) year after such Indebtedness was incurred.

Management Consultant means a person with recognized skill and experience in the financial affairs of institutions of higher education.

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

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

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

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

Mortgaged Property means the land and improvements thereon or to be erected thereon described in a Mortgage and the fixtures, furnishings and equipment owned by the Institution located therein or thereon at the time such Mortgage is made or that is thereafter located therein or thereon.

Official Statement means an official statement, offering memorandum, offering or reoffering circular or other offering document relating to and in connection with the offering, reoffering, sale and issuance of Bonds.

Option Bond means any Bond of a Series which by its terms may be or is required to be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase by the Authority prior to the stated maturity thereof or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds.

Outstanding, when used in reference to Bonds of a Series, means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and a Series Resolution except:

- (i) any Bond canceled by the Trustee at or before such date;
- (ii) any Bond deemed to have been paid in accordance with Section 12.01 of the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article III, Section 4.06 or Section 10.07 of the Resolution; and
- (iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond.

Parity Indebtedness means indebtedness incurred by the Institution, that is permitted by the Resolution and the applicable Series Resolution and Loan Agreement, to be secured equally and ratably by the Pledged Revenues, the applicable Mortgaged Property, or both.

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

Permitted Collateral means:

- (i) Government Obligations;
- (ii) Federal Agency Obligations; or

(iii) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and which regularly deals in such agreements, bonds or instruments and is rated A+XII (or higher) by Bests Insurance Guide or the highest rating category by a Rating Service.

Permitted Encumbrances means when used in connection with the Project any of the following:

- (i) The lien of taxes and assessments which are not delinquent;
- (ii) The lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby the property or the interest of the Authority therein may be in danger of being lost or forfeited;
- (iii) Minor defects and irregularities in the title to such property which do not in the aggregate materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;
- (iv) Easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;
- (v) The Mortgage and the Loan Agreement;
- (vi) Security interests, liens and other encumbrances to secure the purchase price of any equipment or furnishings;
- (vii) Security interests, liens and other encumbrances to secure Parity Indebtedness;
- (viii) Any instrument recorded pursuant to the Loan Agreement; and
- (ix) Such other encumbrances, defects, and irregularities to which the prior written consent of the Authority has been obtained.

Permitted Investments means any of the following:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) 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, which qualifies as a “build America bond” within the meaning of Section 54AA of the Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as + or - and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services;
- (v) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000 whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated, at the time an investment therein is made or the

same is deposited in any fund or account under the Resolution, by at least one Rating Service in at least the second highest rating category;

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

(vii) commercial paper issued by a domestic corporation rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least two Rating Services and having maturities of not longer than two hundred seventy (270) days from the date of purchase;

(viii) bankers' acceptances issued by a bank rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least two Rating Services and having maturities of not longer than three hundred sixty-five (365) days from the date they are purchased;

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

(x) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share, that is rated in the highest short term rating category by at least one Rating Service and at the time an investment therein is made such fund had a minimum asset value of \$500,000,000.

Permitted Liens, when used with any Mortgaged Property, shall have the meaning given to such term in the applicable Loan Agreement.

Pledged Revenues means tuition and fees charged to students for academic instruction, the right to receive the same and the proceeds thereof.

Prior Pledges shall have the meaning given to such term in the respective Loan Agreement.

Project means a dormitory as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of a Series of Bonds, as more particularly described in the Loan Agreement, in or pursuant to a Series Resolution or in or pursuant to a Bond Series Certificate, including, with respect to the Series 2011 Bonds, the property refinanced, in whole or in part, by the Refunded Bonds.

Project Loan Mortgaged Property means the property described in Schedule F of the Loan Agreement.

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

Provider Payments means the amount, certified by a Provider to the Trustee, payable to such Provider by the Institution on account of amounts advanced by it under a Reserve Fund Facility, Credit Facility or a Liquidity Facility, including interest on amounts advanced and fees and charges with respect thereto.

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

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of

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

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

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

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

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

Rating Service means each of Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Fitch, Inc., in each case, which has assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns.

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

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

Refunded Bonds means the outstanding Dormitory Authority of the State of New York, The New School Insured Revenue Bonds, Series 1999 and Dormitory Authority of the State of New York, The New School Insured Revenue Bonds, Series 2001 refunded with a portion of the proceeds of the Series 2011 Bonds .

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to Section 2.04 of the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 4.06 or Section 10.07 of the Resolution.

Remarketing Agent means the person appointed by or pursuant to a Series Resolution authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Bond Series Certificate relating to such Option Bonds.

Remarketing Agreement means, with respect to Option Bonds of a Series, an agreement either between the Authority and the Remarketing Agent, or among the Authority, the Institution and the Remarketing Agent, relating to the remarketing of such Bonds, as amended, supplemented or otherwise modified.

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

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

Restricted Gift means, when used in connection with the Project, any gift, grant or bequest of money or other property made or given by any person the use of which has been restricted by such person to paying any cost or expense that constitutes a Cost of the Project.

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority that pursuant to the applicable Loan Agreement are required to be paid to the Trustee for such Series of Bonds (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund, any fund established for the payment of the purchase price of Option Bonds tendered for purchase or redemption or any fund established for the repayment of funds drawn under a Credit Facility or Liquidity Facility) and all amounts received as a consequence of the enforcement of such Loan Agreement, or applicable Mortgage defined in such Loan Agreement, including but not limited to amounts derived from the foreclosure or sale of or other realization upon a Mortgage on property of the Institution given to secure the Institution's obligation under such Loan Agreement or upon the security interest in the Pledged Revenues.

Serial Bonds means the Bonds so designated in a Series Resolution or a Bond Series Certificate.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and the Series Resolution authorizing such Bonds as a separate Series of Bonds or a Bond Series Certificate, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 4.06 or Section 10.07 of the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Series Certificate or **Bond Series Certificate** means the Bond Series Certificate relating to the Bonds made and executed pursuant to Section 2.03 of the Series Resolution.

Series Resolution means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to Article II of the Resolution.

Series 2010 Bonds means the Authority's The New School Revenue Bonds, Series 2010.

Series 2011 Bonds means the Authority's The New School Revenue Bonds, Series 2011.

Sinking Fund Installment means, with respect to a Series of Bonds, as of any date of calculation:

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

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

Standby Purchase Agreement means, with respect to a Series of Bonds, an agreement pursuant to which a person is obligated to purchase an Option Bond or a Variable Interest Rate Bond tendered for purchase.

Start-up Period means with respect to a Dormitory Facility each of (i) the period commencing on the date Dormitory Debt was incurred for such Dormitory Facility and ending on the last day of the 24th month thereafter and (ii) the period commencing on the day following such 24th month and ending on the last day of the 36th month after Dormitory Debt was incurred for such Dormitory Facility; *provided, however*, that the period described in clause (ii) shall not constitute a Start-up Period unless for the Fiscal Year ending during such period the Dormitory Debt Service Coverage Ratio was at least 1.0.

State means the State of New York.

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

Tax Certificate means the certificate executed by an Authorized Officer of the Authority and an Authorized Officer of the Institution, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Bonds in which the Authority and the Institution make representations and agreements as to arbitrage and compliance with the provisions of Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, or any similar certificate, agreement or other instrument made, executed and delivered in lieu of said certificate, in each case as the same may be amended or supplemented.

Temporarily Restricted Net Assets means, with respect to the Institution's audited financial statements, the sum of all temporarily restricted net assets, determined in accordance with generally accepted accounting principles.

Testing Date means December 31 and June 30 of each Fiscal Year.

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

Trustee means the bank or trust company appointed as Trustee for a Series of Bonds pursuant to a Series Resolution or Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and

rights provided for in the Resolution with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

Tuition Revenues means all tuition and fees charged to students and received by the Institution for academic instruction.

Underwriter means J.P. Morgan Securities, Inc. and M.R. Beal & Company, as co-senior managers and each of its successors and assigns.

Unrestricted Net Assets means, with respect to the Institution's audited financial statements, the sum of all unrestricted net assets exclusive of net investment in plant, in each case determined in accordance with generally accepted accounting principles.

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

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

(i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times; or

(ii) a stated interest rate that may be changed from time to time as provided in such Series Resolution or Bond Series Certificate;

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

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

**FINANCIAL STATEMENTS OF THE NEW SCHOOL
AND INDEPENDENT AUDITORS' REPORT**

Appendix B

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THE NEW SCHOOL

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

80 Fifth Avenue, 4th Fl New York, NY 10011
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Office of Finance & Business

THE NEW SCHOOL

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of The New School prepared the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America and is responsible for their integrity, objectivity, and fair presentation.

The management of The New School maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization, and financial records are reliable for preparing financial statements. This system of control provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or detected within a timely period. Key elements in this system include the communication of written policies and procedures, selection and training of qualified personnel, and organizational arrangements that provide an appropriate division of responsibility. Management believes that, as of and for the years ended June 30, 2010 and 2009, The New School's system of internal control was adequate to accomplish these objectives.

The New School's Board of Trustees addresses its oversight responsibility for the financial statements through its Audit and Risk Committee, which is composed of Trustees and others who are independent of The New School's management. The Audit and Risk Committee meets regularly with the university's management and independent auditor to review matters relating to financial reporting, auditing and internal control. The independent auditor has full and free access to the Audit and Risk Committee.

The independent accounting firm of KPMG LLP was engaged to audit, in accordance with auditing standards generally accepted in the United States of America, the financial statements of The New School. The auditor was given unrestricted access to all financial records and related data including minutes of all Board of Trustees and its committees meetings. All representations made to the independent auditor by university management during its audits were true and accurate, to the best of our knowledge and belief. KPMG's report follows.



Frank Barletta
Senior Vice President for
Finance & Business



Craig Becker
Vice President & Treasurer



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
The New School:

We have audited the accompanying balance sheets of The New School (the University) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New School as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The New School adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, as amended, and Financial Accounting Standards Board Staff Position FAS 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*, in 2009.

KPMG LLP

October 25, 2010

THE NEW SCHOOL

Balance Sheets

June 30, 2010 and 2009

(Dollars in thousands)

Assets	2010	2009
Cash and cash equivalents	\$ 2,488	2,683
Student accounts receivable, net (note 3)	7,777	7,433
Contributions receivable, net (note 4)	42,079	41,447
Investments (note 5)	285,557	271,034
Deferred charges and other assets (note 8)	12,913	12,056
Funds held by bond trustee (note 7)	6,975	7,674
Student loans receivable (note 3)	4,751	4,851
Land, buildings, and equipment (note 6, 8)	236,273	219,599
Total assets	<u>\$ 598,813</u>	<u>566,777</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 39,887	36,012
Deferred revenue	11,270	10,730
Federal Perkins student loan advances	3,852	3,852
Long-term debt (note 8)	147,977	152,129
Total liabilities	<u>202,986</u>	<u>202,723</u>
Commitments and contingencies (notes 5, 8, 15, and 17)		
Net assets (notes 9 and 10):		
Unrestricted	228,795	209,805
Temporarily restricted	95,356	81,873
Permanently restricted	71,676	72,376
Total net assets	<u>395,827</u>	<u>364,054</u>
Total liabilities and net assets	<u>\$ 598,813</u>	<u>566,777</u>

See accompanying notes to financial statements.

THE NEW SCHOOL

Statements of Activities

Years ended June 30, 2010 and 2009

(Dollars in thousands)

	2010				2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:								
Student tuition and fees	\$ 298,782	—	—	298,782	274,623	—	—	274,623
Scholarship allowance (note 12)	(72,614)	—	—	(72,614)	(61,953)	—	—	(61,953)
Net tuition and fees	226,168	—	—	226,168	212,670	—	—	212,670
Contributions	2,504	12,074	—	14,578	3,048	12,072	—	15,120
Grants and contracts	5,575	—	—	5,575	3,949	—	—	3,949
Endowment return appropriated for operations (notes 5 and 10)	6,283	4,296	—	10,579	6,546	4,450	—	10,996
Other investment income (note 5)	1,545	21	—	1,566	502	7	—	509
Auxiliary activities	27,528	—	—	27,528	26,161	—	—	26,161
Other income	2,938	—	—	2,938	2,520	—	—	2,520
Net assets released from restrictions (note 11)	17,169	(17,169)	—	—	19,015	(19,015)	—	—
Total operating revenues	289,710	(778)	—	288,932	274,411	(2,486)	—	271,925
Operating expenses (note 13):								
Instruction and departmental research	103,353	—	—	103,353	97,894	—	—	97,894
Sponsored research, training, and public services	8,735	—	—	8,735	8,319	—	—	8,319
Academic support	51,798	—	—	51,798	46,559	—	—	46,559
Student services	18,460	—	—	18,460	18,042	—	—	18,042
Institutional support	67,752	—	—	67,752	66,628	—	—	66,628
Auxiliary activities	25,775	—	—	25,775	22,721	—	—	22,721
Total operating expenses	275,873	—	—	275,873	260,163	—	—	260,163
Change in net assets from operating activities	13,837	(778)	—	13,059	14,248	(2,486)	—	11,762
Nonoperating activities:								
Contributions for capital and endowment	—	12,127	2,794	14,921	—	100	2,467	2,567
Adjustment of contributions receivable	—	(2,069)	(2,249)	(4,318)	—	(3,170)	—	(3,170)
Grants for capital projects	—	1,903	—	1,903	—	1,913	—	1,913
Capital project related charges (note 6)	—	—	—	—	(2,371)	—	—	(2,371)
Endowment return (notes 5 and 10)	11,400	6,829	—	18,229	(22,662)	(9,904)	—	(32,566)
Endowment return used for operations (notes 5 and 10)	(6,283)	(4,296)	—	(10,579)	(6,546)	(4,450)	—	(10,996)
Net assets released for capital expenditures (note 11)	255	(255)	—	—	9,011	(9,011)	—	—
Other, net (note 15)	(219)	22	(1,245)	(1,442)	348	935	(979)	304
Change in net assets from nonoperating activities	5,153	14,261	(700)	18,714	(22,220)	(23,587)	1,488	(44,319)
Change in net assets	18,990	13,483	(700)	31,773	(7,972)	(26,073)	1,488	(32,557)
Net assets – beginning of year	209,805	81,873	72,376	364,054	217,777	107,946	70,888	396,611
Net assets – end of year	\$ 228,795	95,356	71,676	395,827	209,805	81,873	72,376	364,054

See accompanying notes to financial statements.

THE NEW SCHOOL

Statements of Cash Flows

Years ended June 30, 2010 and 2009

(Dollars in thousands)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 31,773	(32,557)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,521	12,676
Provision for student receivables	2,123	1,422
Adjustment of contributions receivable	4,318	3,170
Loss on asset disposition (note 6)	—	2,051
Amortization of net bond premiums and deferred charges	83	83
Net realized and unrealized gains (losses) on investments	(18,324)	34,743
Contributions and grants restricted for:		
Investment in endowment	(2,794)	(2,467)
Investment in capital projects	(14,030)	(2,013)
Changes in operating assets and liabilities:		
Student accounts receivable	(2,467)	(2,101)
Contributions receivable	1,752	(1,382)
Other assets	(1,037)	1,995
Accounts payable and accrued expenses	3,698	777
Deferred revenue	540	(271)
Net cash provided by operating activities	<u>18,156</u>	<u>16,126</u>
Cash flows from investing activities:		
Purchase of investments	(307,856)	(199,474)
Proceeds from sales of investments	311,657	183,079
Purchase of fixed assets	(29,195)	(17,104)
Change in accrued liabilities for fixed assets	177	(1,580)
Student loans issued	(606)	(2)
Student loans collected	706	616
Net cash used in investing activities	<u>(25,117)</u>	<u>(34,465)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(4,055)	(2,570)
Change in funds held by bond trustee	699	5,071
Change in contributions receivable restricted for endowment	478	2,083
Change in contributions receivable restricted for capital projects	(7,180)	4,701
Contributions restricted for endowment	2,794	2,467
Contributions restricted for capital projects	14,030	2,013
Net cash provided by financing activities	<u>6,766</u>	<u>13,765</u>
Net change in cash and cash equivalents	(195)	(4,574)
Cash and cash equivalents – beginning of year	<u>2,683</u>	<u>7,257</u>
Cash and cash equivalents – end of year	<u>\$ 2,488</u>	<u>2,683</u>
Supplemental information – interest paid	\$ 7,237	7,307

See accompanying notes to financial statements.

THE NEW SCHOOL

Notes to Financial Statements

June 30, 2010 and 2009

(Dollars in thousands)

(1) The university

The New School (the university) was founded in 1919 by a group of scholars, journalists, and civic leaders who imagined an educational venue where they could freely discuss their ideas, and where dialogue could take place between intellectuals and the public. Originally devoted to exploring the pressing social, political, and economic problems of the day, The New School has since expanded its focus to embrace the arts and culture. Today the university offers bachelors and masters programs in the visual and performing arts in addition to bachelors, masters, doctorate and certificate programs in the liberal arts, social sciences, and management and urban policy.

The New School is an independent, nonprofit, coeducational institution of higher education comprising eight schools, each with its own history and program offerings. The eight schools are: The New School for General Studies; The New School for Social Research; Milano The New School for Management and Urban Policy; Parsons The New School for Design; Eugene Lang College The New School for Liberal Arts; Mannes College The New School for Music; The New School for Drama; and The New School for Jazz and Contemporary Music. The main campus is located in Greenwich Village in The City of New York, with other locations in Manhattan.

The university is accredited by the Middle States Association of Colleges and Schools.

The university derives its revenues principally from student tuition and fees, government appropriations, grants and contracts, gifts, and investment earnings. Additional support is generated through auxiliary activities carried out by the university, such as dining services, student health services, and residence facilities. The university spends these resources to meet its instructional and educational mission.

(2) Summary of Significant Accounting Policies

Net Asset Classifications

The university's financial statements are prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. While the underlying accounts of the university are maintained in accordance with the principles of fund accounting to facilitate observance of specific restrictions placed on the resources available to the university, the accompanying financial statements present the financial position, activities, and cash flows of the university as a whole. University resources are classified and reported in the accompanying financial statements within separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the university to use the income from the resources for either specified or unspecified purposes.

THE NEW SCHOOL

Notes to Financial Statements

June 30, 2010 and 2009

(Dollars in thousands)

- Temporarily restricted net assets contain donor-imposed restrictions that permit the university to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the university.
- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The university's Board of Trustees has designated a portion of the unrestricted net assets for long-term investment (quasi-endowment).

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

Cash Equivalents

Cash equivalents consist of money market funds and highly liquid financial instruments with an initial maturity of three months or less, except for those held by the university's investment managers as part of their long-term investment strategies.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, if acquired by gift, at appraised value at date of donation. Costs of building alterations are capitalized. Costs of repairs and maintenance are expensed.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets as follows:

	<u>Estimated useful life</u>
Buildings	40 years
Building improvements	15 – 30 years
Leasehold improvements	Lease term
Furniture and equipment	5 years
Computer equipment	3 years

The university expenses the cost of library books upon acquisition.

THE NEW SCHOOL

Notes to Financial Statements

June 30, 2010 and 2009

(Dollars in thousands)

Art Collection

The university's art collection consists of works of art, including prints, paintings, photographs, and sculptures that are held for the purposes of public exhibition, education, and research. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed by the university's curators under the supervision of the Trustee Art Committee.

The art collection, which was acquired through purchases and contributions since the university's inception, is not recognized as an asset in the balance sheet. Purchases of collection items are recorded as expenses and contributed collection items are not reported as contributions. Proceeds from sales are reflected as increases in unrestricted net assets.

Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Pledges to be paid in future years are discounted to present value using a risk-adjusted discount rate. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions is estimated based upon prior collection history and analysis of past due amounts.

Split Interest Agreements

The university is the beneficiary of several split interest arrangements that require the instruments be recorded as revenue and net assets at the present value of the university's interest.

At June 30, 2010 and 2009, assets associated with split interest gifts approximate \$1,642 and \$1,617, respectively, including a life estate interest of \$1,100 at each year end.

Fair Value of Financial Instruments

At June 30, 2010 and 2009, the carrying values of the university's cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximated their fair values. A reasonable estimate of the fair value of loans to students under government loan programs cannot be made because the loans are not saleable and can only be assigned to the U.S. Government or its designees.

Government Grants and Contracts

Government grants and contracts, except for capital project grants, are accounted for as exchange transactions, rather than as contributions, and revenue is reported as earned.

Deferred Revenue

Deferred revenue includes tuition and student deposits related to programs applicable to the next fiscal year and grants received in advance of incurring related expenses.

THE NEW SCHOOL

Notes to Financial Statements

June 30, 2010 and 2009

(Dollars in thousands)

Advertising Costs

Advertising expenses reflected in the statements of activities totaled \$3,885 and \$4,135 for fiscal years 2010 and 2009, respectively.

Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the financial statements include valuation of investments at fair value and estimated net realizable value of receivables. Actual results could differ from those estimates.

Income Taxes

The university is exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income tax has been recorded in the accompanying financial statements. The university is also exempt from New York income taxes under the related state provisions. Management believes that the university will continue to be exempt from taxes and that the university has taken no significant uncertain tax positions. Donations to the university qualify for deduction as charitable contributions.

Operations

The statements of activities present the changes in net assets, distinguishing between operating and nonoperating activities. Operating activities principally include all revenue and expenses that relate to the university's educational programs, research, training, and supporting activities. Operating revenues include the investment return pursuant to the university's spending policy and earned on working capital funds. Operating revenues also include all contributions, except those intended for capital or endowment purposes.

The university has defined nonoperating activities principally to include endowment investment return net of amounts distributed to support operations in accordance with the endowment spending policy (note 10), endowment and capital contributions, net assets released from restrictions for capital expenditure, and activity related to annuity and unitrust agreements. Certain other gains, losses or transactions considered to be of a more unusual or nonrecurring nature are also included as part of nonoperating activities.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

THE NEW SCHOOL

Notes to Financial Statements

June 30, 2010 and 2009

(Dollars in thousands)

(3) Student Accounts and Loans Receivable

Student accounts and loans receivable consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Student accounts receivable:		
Student accounts receivable	\$ 12,941	11,585
Less allowance for uncollectible accounts	<u>(5,164)</u>	<u>(4,152)</u>
	<u>\$ 7,777</u>	<u>7,433</u>
Student loans receivable:		
Student loans (Perkins loans)	\$ 6,182	6,210
Less allowance for uncollectible loans	<u>(1,431)</u>	<u>(1,359)</u>
	<u>\$ 4,751</u>	<u>4,851</u>

(4) Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Amounts expected to be collected:		
In one year or less	\$ 19,655	18,660
In one year to five years	29,382	25,029
In more than five years	<u>5,300</u>	<u>7,191</u>
	54,337	50,880
Less allowance for uncollectible amounts	(8,939)	(5,143)
Less discount to present value (at rates ranging from 1.32% to 5.69%)	<u>(3,319)</u>	<u>(4,290)</u>
	<u>\$ 42,079</u>	<u>41,447</u>

At June 30, 2010 and 2009, the amounts receivable from ten donors represent approximately 80% and 76% of the gross receivable, respectively.

The university receives intentions to give (principally bequests) and conditional promises, which at June 30, 2010 totaled approximately \$9,197.

THE NEW SCHOOL

Notes to Financial Statements

June 30, 2010 and 2009

(Dollars in thousands)

(5) Investments

Investments consisted of the following at June 30, 2010 and 2009:

	2010		2009	
	Cost	Fair value	Cost	Fair value
Endowment investments:				
Cash equivalents and short-term investments	\$ 45,612	45,951	55,385	55,385
Public equity	11,548	12,936	10,964	9,010
Publicly traded mutual funds	21,978	30,921	29,350	33,819
Institutional mutual funds	23,590	23,695	13,504	10,653
Hedge funds	65,547	70,395	62,998	62,658
Private equity	12,232	11,222	11,038	8,927
	<u>180,507</u>	<u>195,120</u>	<u>183,239</u>	<u>180,452</u>
Operating and other investments:				
Cash equivalents and short-term investments	87,708	88,955	85,158	85,158
Public equity	174	174	2,870	3,091
Publicly traded mutual funds	208	208	1,222	1,233
Real estate	1,100	1,100	1,100	1,100
	<u>89,190</u>	<u>90,437</u>	<u>90,350</u>	<u>90,582</u>
Total investments	\$ <u>269,697</u>	<u>285,557</u>	<u>273,589</u>	<u>271,034</u>

Investments are reported at fair value based upon quoted market prices, except for the estimated fair values of institutional mutual funds, hedge funds, and private equity which, as a practical expedient, are based on Net Asset Values (NAVs) provided by the fund managers. These values are reviewed and evaluated by university management. The reported value may differ from the values that would have been reported had a ready market for these investments existed.

Information with respect to investment strategies, redemption terms, and funding commitments for these investments follows:

Institutional Mutual Funds: represent investment in mutual or commingled funds, with a primary objective of risk reduction, which is achieved through diversification. The strategies include an international multi-cap equity fund in emerging markets as well as a global multi-sector fixed income strategy with a selection of undervalued securities. Redemption is allowed either monthly or bi-monthly.

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Hedge Funds: follow four basic investment strategies that seek to benefit from opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies. The multi- strategy hedge fund holds investments in distressed situations, with smaller allocations to capital structure arbitrage and event driven situations. The long/short hedge funds include international multi-cap equity composed of a large portfolio of assets held in companies in the Asia Pacific region. The commodity strategy is designed to mirror the price of gold. This category also includes a limited liability partnership which invests primarily in U.S. middle market companies and provides a fixed income return. The redemption periods for these hedge funds range from monthly to annually. The remaining commitment to the limited liability partnership is \$500 as of June 30, 2010.

Private Equity: positions held are composed of limited liability company interests that focus on the purchase and development, improvement, and management of companies that are not publically traded on a stock exchange as well as the purchase and management of residential, commercial and industrial real estate with value attempted to be realized through both improved operations and gains on eventual sale. The investments are primarily in global private companies with a media and communications focus. Private equity real estate investments are primarily in properties in North America, Europe and Asia. Distributions are made to investors through the liquidation of the underlying assets. It is expected to take up to eleven years to fully distribute those assets. Remaining commitments to funds in this category total \$10,800 as of June 30, 2010.

Investment return on endowment investments, operating and other investments, funds held by the bond trustee, and cash equivalents, and its classification in the statements of activities, was as follows:

	2010		
	Unrestricted	Temporarily restricted	Total
Dividends and interest	\$ 1,467	415	1,882
Realized (losses) gains	(82)	105	23
Change in unrealized position	11,808	6,493	18,301
Less custodial and advisory fees	(248)	(163)	(411)
Total investment return	<u>\$ 12,945</u>	<u>6,850</u>	<u>19,795</u>
Investment return has been allocated as follows:			
Operations, pursuant to the university's endowment spending policy	\$ 6,283	4,296	10,579
Operations, other	1,545	21	1,566
Excess return on endowment	5,117	2,533	7,650
	<u>\$ 12,945</u>	<u>6,850</u>	<u>19,795</u>

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	2009		
	Unrestricted	Temporarily restricted	Total
Dividends and interest	\$ 2,396	930	3,326
Realized losses	(9,739)	(6,202)	(15,941)
Change in unrealized position	(14,433)	(4,369)	(18,802)
Less custodial and advisory fees	(384)	(256)	(640)
Total investment return	<u>\$ (22,160)</u>	<u>(9,897)</u>	<u>(32,057)</u>
Investment return has been allocated as follows:			
Operations, pursuant to the university's endowment spending policy	\$ 6,546	4,450	10,996
Operations, other	502	7	509
Loss on endowment	<u>(29,208)</u>	<u>(14,354)</u>	<u>(43,562)</u>
	<u>\$ (22,160)</u>	<u>(9,897)</u>	<u>(32,057)</u>

Assets which the university reports at fair value on a recurring basis are investments and funds held by bond trustee (see note 7). The inputs used to determine the fair values of these assets are delineated within a FASB defined fair value hierarchy.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 – valuation inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the university has the ability to access at measurement date.

Level 2 – valuation inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 – valuation inputs are unobservable inputs for the assets or liabilities.

With respect to those investments reported at estimated fair value based upon NAVs provided by investment managers, classification in Level 2 or 3 is based on the university's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, the investment is classified as Level 2.

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

Investments at June 30, 2010 and 2009 are summarized in the following tables by their classification in the fair value hierarchy:

2010	Total	Level 1	Level 2	Level 3
Cash equivalents and short-term investments	\$ 134,906	134,906	—	—
Public equity:				
Domestic equity	12,989	12,989	—	—
International equity	121	121	—	—
Publicly traded mutual funds:				
Domestic fixed income	14,514	14,514	—	—
Domestic equity	208	208	—	—
International equity	16,407	16,407	—	—
Institutional mutual funds:				
Domestic fixed income	7,916	—	7,916	—
International equity	15,779	—	15,779	—
Hedge funds:				
Multi-strategy	19,034	—	18,668	366
Long/short equity	34,540	—	34,540	—
International fixed income	5,977	—	5,977	—
Commodity	10,844	—	10,844	—
Private equity	11,222	—	—	11,222
Real estate	1,100	—	—	1,100
	<u>\$ 285,557</u>	<u>179,145</u>	<u>93,724</u>	<u>12,688</u>

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2009	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents and short-term investments	\$ 140,543	140,543	—	—
Public equity:				
Domestic equity	12,101	12,101	—	—
Publicly traded mutual funds:				
Domestic fixed income	11,058	11,058	—	—
Domestic equity	22,761	22,761	—	—
International equity	1,233	1,233	—	—
Institutional mutual funds:				
Domestic fixed income	5,649	—	5,649	—
International equity	5,004	—	5,004	—
Hedge funds:				
Multi-strategy	25,400	—	18,288	7,112
Long/short equity	31,939	—	31,939	—
International fixed income	5,319	—	5,319	—
Private equity	8,927	—	—	8,927
Real estate	1,100	—	—	1,100
	<u>\$ 271,034</u>	<u>187,696</u>	<u>66,199</u>	<u>17,139</u>

The following table presents the activity for the fiscal years ended June 30, 2010 and 2009 for investments classified as Level 3 within the fair value hierarchy:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 17,139	19,315
Total net realized gains	165	107
Total net unrealized gains (losses)	116	(5,139)
Purchases and settlements, net	<u>(4,732)</u>	<u>2,856</u>
Ending balance	<u>\$ 12,688</u>	<u>17,139</u>

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(6) Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land and air rights	\$ 47,176	47,171
Buildings and building improvements	186,601	183,453
Leasehold improvements	50,484	49,357
Furniture and equipment	19,914	18,631
Equipment held under capital leases	3,658	3,658
Construction in progress	28,420	9,023
	<u>336,253</u>	<u>311,293</u>
Less accumulated depreciation	<u>(99,980)</u>	<u>(91,694)</u>
Total land, buildings, and equipment – net	<u>\$ 236,273</u>	<u>219,599</u>

During fiscal year 2009, the Board of Trustees approved a resolution to demolish the building located at 65 Fifth Avenue in anticipation of the construction of the University Center. As a result, the university wrote off the net book value of the building in the amount of \$2,051 in fiscal year 2009. Construction in progress relates principally to the University Center construction project.

(7) Funds Held by Bond Trustee

Debt service funds held by the bond trustee consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 6,959	7,674
U.S. Treasury securities	16	—
	<u>\$ 6,975</u>	<u>7,674</u>

The assets held at June 30, 2010 are classified as Level 1 in the fair value hierarchy.

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(8) Long-Term Debt

Long-term debt consisted of the following at June 30, 2010 and 2009:

<u>Description</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>2010 Principal balance</u>	<u>2009 Principal balance</u>	
Dormitory Authority of the State of New York Revenue Bonds:					
Series 1999	July 1, 2033	3.75% – 5.00%	33,725	\$ 35,160	(A)
Series 2001	July 1, 2041	3.00 – 5.00	19,820	20,085	(B)
Series 2005	July 1, 2026	4.00 – 5.00	19,925	21,560	(C)
Series 2006	July 1, 2046	4.00 – 5.00	<u>70,665</u>	<u>71,385</u>	(D)
			144,135	148,190	
Less unamortized discount			(1,074)	(1,115)	
Add unamortized premium			<u>4,916</u>	<u>5,054</u>	
			<u>\$ 147,977</u>	<u>\$ 152,129</u>	

- A. On May 20, 1999, the university entered into a loan agreement with the Dormitory Authority of the State of New York (the Dormitory Authority) to issue tax-exempt Insured Revenue Bonds in the amount of \$42,500. A portion of the proceeds was used to prepay \$9,085 of taxable debt issued by the Student Loan Marketing Association in 1996 and 1997. The remaining proceeds were used to finance the acquisition, renovations, and improvements to new and existing facilities and equipment. The university pledged tuition revenues and executed mortgages on property located at 22-26 East 14th Street and its 72 Fifth Avenue Condominium interest as collateral for the loan.
- B. On October 16, 2001, the university entered into a loan agreement with the Dormitory Authority to issue tax-exempt Insured Revenue Bonds in the amount of \$21,500 to finance the acquisition and renovation of a student residence facility at 118 West 13th Street. The university pledged tuition and fee revenues and executed a mortgage on its property located at 118 West 13th Street land and building as collateral for the loan.
- C. On June 16, 2005, the university entered into a loan agreement with the Dormitory Authority to issue tax-exempt Insured Revenue Bonds in the amount of \$21,870 to advance refund other bonds. The net proceeds, along with amounts previously held in escrow, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the tax-exempt bonds issued under loan agreements with the New York City Industrial Development Agency in September 1994 and June 1995 and under a loan agreement with the Dormitory Authority in April 1997 were defeased. The university pledged tuition revenues and executed a mortgage on property located at 55 West 13th Street, as well as 66, 68, and 70 Fifth Avenue as collateral for the loan.

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- D. On November 20, 2006, the university entered into a loan agreement with the Dormitory Authority to issue tax-exempt Insured Revenue Bonds in the amount of \$72,495 to finance the acquisition of a student residence facility at 300 West 20th Street, renovations and improvements to existing facilities, and to pay the cost of termination of an interest rate exchange agreement entered into with respect to the bonds. The university pledged tuition revenues, executed a mortgage on property located at 55 West 13th Street as well and 2 West 13th Street, and granted the Dormitory Authority a security interest in certain fixtures, furnishings, and equipment therein as collateral for the loan.

Loan agreements with the Dormitory Authority require the university to meet certain covenant conditions as a prerequisite to incurring additional long-term debt or refinancing existing debt. Additionally, the loan agreements require the university to maintain a percentage of unrestricted net assets, excluding net investment in plant, plus temporarily restricted net assets (spendable net assets) to total long-term debt outstanding in excess of 40%. At June 30, 2010, spendable net assets were 159% of long-term debt. At June 30, 2009, spendable net assets were 146% of long-term debt.

The loan agreements also require that the percentage of the maximum annual scheduled debt service in any year to unrestricted revenues not exceed 10%. For the years ended June 30, 2010 and 2009, the percentages were 3.7% and 4.3% respectively.

For the years ended June 30, 2010 and 2009, interest expense totaled \$7,145 and \$7,200, respectively.

The aggregate fair value of long-term debt was estimated to be approximately \$153,000 and \$144,000 at June 30, 2010 and 2009, respectively.

At June 30, 2010, aggregate principal maturities of long-term debt for each of the next five fiscal years and thereafter are as follows:

Fiscal year ending June 30:	
2011	\$ 3,480
2012	3,635
2013	3,805
2014	3,970
2015	4,160
Thereafter	<u>125,085</u>
	<u>\$ 144,135</u>

Unamortized bond issuance costs, which are included in the balance sheets as deferred charges and other assets, were \$5,441 and \$5,621 at June 30, 2010 and 2009, respectively, and are being amortized over the remaining terms of the related debt.

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(9) Net Assets

Net assets consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Unrestricted net assets:		
For operations and designated activities	\$ 36,613	44,711
Endowment	96,911	89,950
Net investment in plant	95,271	75,144
	<u>228,795</u>	<u>209,805</u>
Temporarily restricted net assets:		
Scholarships and departmental activities	46,475	47,582
Building construction and equipment	47,210	32,643
Split-interest agreements	1,671	1,648
	<u>95,356</u>	<u>81,873</u>
Permanently restricted net assets:		
Income for faculty support and student financial aid	71,676	72,376
Total net assets	<u>\$ 395,827</u>	<u>364,054</u>

(10) Endowment

The university's endowment consists of both donor-restricted endowment funds established for a variety of purposes and funds designated by the Board of Trustees to function as endowments. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The university has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date ("historic dollar value") of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the university classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the donor.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. At June 30, 2010 and 2009, deficiencies of this nature totaled \$1,748 and \$2,960, respectively.

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The investment objectives for the university's endowment are to preserve the principal value of those funds, in both absolute as well as real terms, and to maximize over the long-term the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, the Board of Trustees has adopted a spending policy. The amount available for spending is determined annually by applying a rate of 5% to the average fair value of the endowment for the preceding three calendar years.

The tables which follow present information with respect to the university's endowment, inclusive of pledges, as of and for the years ended June 30, 2010 and 2009:

Endowment net assets consist of the following at June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 8,617	19,581	71,676	99,874
Board-designated endowment funds	<u>88,294</u>	<u>—</u>	<u>—</u>	<u>88,294</u>
Total endowment net assets	<u>\$ 96,911</u>	<u>19,581</u>	<u>71,676</u>	<u>188,168</u>

Endowment net assets consist of the following at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 4,419	17,048	72,376	93,843
Board-designated endowment funds	<u>85,531</u>	<u>—</u>	<u>—</u>	<u>85,531</u>
Total endowment net assets	<u>\$ 89,950</u>	<u>17,048</u>	<u>72,376</u>	<u>179,374</u>

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Changes in endowment net assets for year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ 89,950	17,048	72,376	179,374
Dividends and interest	377	247	—	624
Investment gain	11,023	6,582	—	17,605
Contributions, net	—	—	545	545
Appropriation for expenditure	(6,283)	(4,296)	—	(10,579)
Transfer to create board-designated funds and other	1,844	—	(1,245)	599
Total endowment net assets, June 30, 2010	<u>\$ 96,911</u>	<u>19,581</u>	<u>71,676</u>	<u>188,168</u>

Changes in endowment net assets for year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2008	\$ 116,883	31,404	70,888	219,175
Dividends and interest	1,021	667	—	1,688
Investment loss	(23,681)	(10,573)	—	(34,254)
Contributions	—	—	2,467	2,467
Appropriation for expenditure	(6,546)	(4,450)	—	(10,996)
Transfer to create board-designated funds and other	2,273	—	(979)	1,294
Total endowment net assets, June 30, 2009	<u>\$ 89,950</u>	<u>17,048</u>	<u>72,376</u>	<u>179,374</u>

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act, which imposes guidelines on the management and investment of endowment funds. As a result, the university will be required to reclassify \$10,365 of appreciation on donor-restricted endowment funds from unrestricted net assets to temporarily restricted net assets in fiscal year 2011.

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(11) Net Assets Released From Restrictions

Net assets were released from donor restrictions due to the passage of time or by incurring costs satisfying the restricted purposes specified by the donors for fiscal years 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Scholarships and departmental activities	\$ 15,152	14,296
Payments received on pledges	2,017	4,719
Net assets released from restrictions- operating activities	17,169	19,015
Net asset released for capital expenditures - nonoperating activities	255	9,011
Net assets released from restrictions	<u>\$ 17,424</u>	<u>28,026</u>

(12) Scholarship Allowance

Student tuition and fees are presented net of amounts awarded to students to defray their costs of attending the university as follows:

	<u>2010</u>	<u>2009</u>
University support	\$ 65,689	54,508
Sponsored support	6,925	7,445
	<u>\$ 72,614</u>	<u>61,953</u>

University support includes tuition discounts, financial aid, and merit scholarships awarded to students from unrestricted operating resources. Sponsored support includes financial aid and scholarships funded from restricted and external sources, including federal and state grant programs and private giving.

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(13) Functional Classification of Expenses

Expenses are classified on a functional basis with allocation of costs among the functional categories for fiscal years 2010 and 2009 as follows:

Functional expenses	2010				
	Before allocation	Interest	Operation and maintenance of plant	Depreciation	After allocation
Instruction and departmental research	\$ 87,105	1,815	10,686	3,747	103,353
Sponsored research, training, and public services	7,220	81	1,004	430	8,735
Academic support	37,310	1,257	9,738	3,493	51,798
Student services	16,671	169	1,226	394	18,460
Institutional support	54,152	1,514	9,177	2,909	67,752
Auxiliary activities	20,692	2,309	1,226	1,548	25,775
Operation and maintenance of plant	33,057	—	(33,057)	—	—
Depreciation	12,521	—	—	(12,521)	—
Interest	7,145	(7,145)	—	—	—
Total	\$ 275,873	—	—	—	275,873

Functional expenses	2009				
	Before allocation	Interest	Operation and maintenance of plant	Depreciation	After allocation
Instruction and departmental research	\$ 83,273	1,658	9,435	3,528	97,894
Sponsored research, training, and public services	6,685	98	1,137	399	8,319
Academic support	35,459	977	7,296	2,827	46,559
Student services	15,047	286	1,953	756	18,042
Institutional support	51,437	1,750	9,600	3,841	66,628
Auxiliary activities	18,172	2,431	793	1,325	22,721
Operation and maintenance of plant	30,214	—	(30,214)	—	—
Depreciation	12,676	—	—	(12,676)	—
Interest	7,200	(7,200)	—	—	—
Total	\$ 260,163	—	—	—	260,163

(14) Fundraising Expenses

Fundraising expenses of \$4,652 and \$5,024, for the years ended June 30, 2010 and 2009, respectively, are included in institutional support in the accompanying statements of activities. For the purpose of disclosing fundraising expenses, the university includes only those fundraising costs incurred by its development office.

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(15) Retirement and Postretirement Health Benefit Plans

Retirement Plans

The university has a defined contribution retirement plan which covers substantially all employees except certain union employees and which is funded through direct payments to the Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund for the purchase of individual annuities. For each eligible employee, the university's contribution is determined as a percentage of salary, taking into account age and length of accrued service. Contributions to certain union retirement plans are based on rates required by union contracts. Retirement contributions paid by the university under these plans and charged to expense for fiscal years 2010 and 2009 were \$10,521 and \$10,248, respectively.

Postretirement Health Plans

The university provides certain health care benefits for past and future nonunion full-time employees who have or will retire at 65 years of age with 10 or more years of service. This benefit pays up to \$1,500 per year for the Medicare Supplement Part B coverage for each eligible person.

The university funds its postretirement benefits costs on a pay-as-you-go basis. As of June 30, 2010 and 2009, the actuarially determined benefit obligation included in accounts payable and accrued liabilities was \$1,880 and \$1,522, respectively. Net periodic benefit cost was \$189 and \$158 and benefits paid were \$28 and \$29 in fiscal years 2010 and 2009, respectively.

As of June 30, 2010, a net credit of \$717 has not yet been recognized as a component of net periodic benefit cost. The net credit consisted of \$68 prior service cost, \$161 transition obligation, and \$946 net actuarial gain.

In fiscal year 2010, a net charge of \$197 was recorded as other than net periodic postretirement benefit costs and is included in other charges in nonoperating activities.

It is estimated that \$19 of the prior service cost, \$31 of the transition obligation, and \$49 of the actuarial gain will be included as components of net periodic benefit cost in fiscal year 2011.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year ending June 30:		
2011	\$	74
2012		81
2013		93
2014		104
2015		104
2016 – 2020		777
	\$	<u>1,233</u>

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The expected employer contribution for fiscal year 2011 is \$74.

No annual rate of increase in the per capita cost of covered health care benefits was assumed because there is a maximum benefit limit of \$1,500 per year per employee.

(16) Related Party Transactions

Members of the university's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. The university's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the university requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the university. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the university and ensure compliance with relevant conflict of interest laws.

During fiscal 2010, the Board of Trustees approved the engagement of two service firms, associated with trustees, in connection with the University Center construction project. Consistent with the policy discussed above, the decision to engage each of the firms was based on a review and discussion without participation of the interested trustees, with the assistance of real estate consultants and outside counsel, and a determination that such engagement was in the best interest of and provided substantial benefit to the university. Total fees paid to the two firms in fiscal 2010 approximated \$4.1 million.

(17) Commitments and Contingencies

The university leases dormitory, classroom, office, student center, and theater space under various leases expiring through the year 2035. Rent expense is recognized on a straight-line basis over the term of the leases. The excess of rent expense accrued on a straight-line basis over rental payments is included in accounts payable and accrued liabilities in the balance sheets and totaled \$9,313 and \$8,407 at June 30, 2010 and 2009, respectively. Rental expense under operating leases for fiscal years 2010 and 2009 was \$22,447 and \$20,376, respectively.

Minimum rental commitments under noncancelable operating leases for each of the next five fiscal years and thereafter are estimated to be paid as follows:

Year ending June 30:		
2011	\$	23,110
2012		20,897
2013		21,256
2014		21,584
2015		20,847
Thereafter		228,703
	\$	<u>336,397</u>

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(Dollars in thousands)

At June 30, 2010, construction commitments were approximately \$30,543. The construction is expected to be financed by available resources, gifts, and the issuance of long-term debt.

In the normal course of its operations, the university is a party to various legal proceedings and complaints, most of which are covered by insurance. While it is not feasible to predict the ultimate outcome of such matters, management of the university is not aware of any claims or contingencies that would have a material adverse effect on the university's financial position.

(18) Subsequent events

In conjunction with the preparation of the financial statements the university evaluated subsequent events after the balance sheet date of June 30, 2010 through October 25, 2010, which was the date the financial statements were issued and has concluded that there are no subsequent events for disclosure.

Appendix B

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

Appendix C

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement pertaining to the Bonds and the 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.

Construction of the Project

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

(Section 5)

Amendment of the Project

The Institution, with the prior written consent of the Authority, may amend the Project to decrease, increase or otherwise modify the scope of the Project. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake. After the date of the Loan Agreement the Institution may not enter into, amend or modify, by change order or otherwise, any Contract Document that materially affects the scope or nature of the Project, without the prior written approval of the Authority, which approval will not be unreasonably withheld.

(Section 6)

Financial Obligations of the Institution

Except to the extent that moneys are available therefor under the Resolution, the Series Resolution or the Loan Agreement, including moneys in the Debt Service Fund (other than money required to pay the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased, plus interest accrued to the date of redemption or purchase), and interest accrued but unpaid on investments held in the Debt Service Fund, the Institution pursuant to the Loan Agreement unconditionally agrees to pay or cause to be paid, 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:

(i) On or before the date of delivery of the Bonds, the Authority Fee agreed to by the Authority and the Institution in connection with issuance of such Series of Bonds;

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

(iii) On the tenth (10th) day of each month commencing on the tenth (10th) day of the sixth (6th) month immediately preceding the date on which interest on the Bonds, becomes due, one sixth (1/6) of the interest coming due on the Bonds, on the immediately succeeding interest payment date on such Bonds so that on a date one month prior to the succeeding interest payment date sufficient amounts are on deposit to pay interest on such Bonds next coming due; provided, however, that, if with respect to any Bonds there are more or less than six (6) such payment dates prior to the first interest payment on such Bonds, on each payment date prior to such interest payment date the Institution shall pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on such Bonds;

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

(v) At least forty-five (45) days (or such shorter period as the Authority may permit) prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased, is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(vi) On December 10 and June 10 of each Bond Year the amount of Annual Administrative Fee payable on such date as determined in accordance with Schedule B of the Loan Agreement;

(vii) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (A) for the Authority Fee then unpaid, (B) to reimburse the Authority for payments made by it pursuant to Section 9(e) of the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to Section 25, 27 or 30 of the Loan Agreement, (C) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, including but not limited to any fees or other amounts payable by the Authority under a Remarketing Agreement, a Credit Facility or a Liquidity Facility, (D) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement or of the Mortgage or of the Resolution in accordance with the terms thereof, and (E) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution;

(viii) Promptly upon demand by the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to Section 31 of the Loan Agreement;

(ix) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds or otherwise available therefore under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds;

(x) To the extent not otherwise set forth in Section 9(a) of the Loan Agreement, including without limitation, in the event of any insufficiency, any amounts necessary to pay the principal, Sinking Fund Installment, or Redemption Price, if any, of, and interest on, the Bonds, on the dates, in the amounts, at the times and in the manner provided in or pursuant to the Resolution and the Series Resolution, whether at maturity, upon acceleration, redemption or otherwise.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institution will receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to paragraph (a)(iv) 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 any Sinking Fund Installments during the next succeeding Bond Year, either (i) the Institution delivers to the Trustee for cancellation one or more Bonds of the maturity to be so redeemed or (ii) the Trustee, at the direction of the Authority, has purchased one or more Bonds of the maturity to be so redeemed from amounts on deposit in the Debt Service Fund in accordance with Section 5.06(b) of the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

The Authority directs the Institution under the Loan Agreement, and the Institution agrees under the Loan Agreement, to make the payments required by Section 9(a) of the Loan Agreement as follows: (i) the payments required by paragraphs (a)(iii), (a)(iv), (a)(v) and (a)(viii) of such Section 9(a) directly to the Trustee for deposit and application in accordance with Section 5.05 of the Resolution; (ii) the payments required by paragraph (a)(ii) of such

Section directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution, as directed by the Authority; (iii) the payments required by paragraphs (a)(i), (a)(vi) and (a)(vii) of such Section 9(a) directly to the Authority; and (iv) except as otherwise provided by this paragraph, the payments required by paragraph (a)(ix) and of such Section 9(a) to or upon the written order of the Authority.

Notwithstanding any provision in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in Section 9 of the Loan Agreement), all money paid by the Institution to the Trustee pursuant to the Loan Agreement or otherwise held by the Trustee shall be applied in reduction of the Institution's indebtedness to the Authority thereunder 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 money is applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such money has been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Except as otherwise provided in the Resolution, the Trustee shall hold such money in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Bonds.

The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non happening of any event, irrespective of any defense or any right of set off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution to complete the Project or the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds 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 contained in the Loan Agreement or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institution may institute such action as it may deem necessary to compel performance or recover damages for non performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the Institution for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for such Project.

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

The Authority, for the convenience of the Institution, shall furnish to the Institution statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non payment of the amounts payable under the Loan Agreement at the time and in the manner provided thereby. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the Loan Agreement which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under the provisions of the Loan Agreement summarized below under the caption "Defaults and Remedies" arising out of the Institution's failure to make such payment and no payment by the Authority shall be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

The Institution, if 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 the Debt Service Fund and applied in accordance with the Resolution or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or any payment made pursuant to Section 23 of the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions

of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds outstanding to be paid or to be deemed paid in accordance with the Resolution.

If the Institution elects to purchase Bonds, with the written consent of the Authority, the Institution shall give written notice to the Authority and the Trustee whenever Bonds are to be purchased at the election of the Institution, which written notice shall include the maturity and principal amount of the Bonds to be so purchased. All such purchases shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for each such purchase.

(Section 9)

Mortgage; Lien on Fixtures

At or before the delivery by the Authority of the Bonds, the Institution shall execute and deliver to the Authority the Mortgage, in recordable form, acceptable to the Authority, mortgaging the Mortgaged Property, which Mortgage shall constitute a first lien on the Mortgaged Property, subject only to the Permitted Encumbrances.

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

(Section 13)

Consent to Pledge and Assignment

The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of (i) the Authority's rights to receive any and all of the payments required to be made pursuant to Section 9(a) of the Loan Agreement summarized above under the caption "Financial Obligations of the Institution", (ii) any or all security interests granted by the Institution under the Loan Agreement, including without limitation the security interest in the Pledged Revenues given by the Institution pursuant to Section 11 of the Loan Agreement, the Mortgage, and any security interest in the fixtures, furnishings and equipment located on the Mortgaged Property, and (iii) all funds and accounts established by the Resolution and pledged thereby in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated in 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 Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized by Section 15 of the Loan Agreement, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligations to make all payments required under the Loan Agreement and to performing all other obligations required to be performed by the Institution pursuant to the Loan Agreement. Any realization upon the Mortgage or security interest in the Pledged Revenues granted in accordance with the provisions of the Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination of the Loan Agreement or the obligations of the Institution pursuant thereto.

(Section 15)

Tax-Exempt Status of the Institution

The Institution represents that: (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law; (ii) it has received a letter or other notification from the Internal Revenue Service to that effect; (iii) such letter or other notification has not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification; (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist; and (vi) it is exempt from federal income taxes under Section 501(a) of the Code, except for the payment of unrelated business income tax. The Institution agrees that: (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an educational organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law; and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in a manner, or for any trade or business unrelated to the educational purposes of the Institution, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 17)

Use and Possession of the Project; Restrictions on Religious Use

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institution shall have sole and exclusive control and possession of and responsibility for (i) the Project and the Mortgaged Property; (ii) the operation of the Project and the Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of the Project and the Mortgaged Property; provided, however, that except as otherwise limited by the Loan Agreement, the foregoing shall not prohibit use of the Project or the Mortgaged Property by persons other than the Institution or its students, staff or employees in furtherance of the Institution's corporate purposes if such use will not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes..

The Institution agrees that with respect to the Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and provided, further, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit the Project or portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion or real property thereof financed by the Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of Section 22 of the Loan Agreement an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Sections 21 and 22)

Sale of the Project or Mortgaged Property

The Institution covenants in the Loan Agreement that it will not transfer, sell, lease or convey the Project or the Mortgaged Property or any part thereof or interest therein, including development rights, without the prior approval of the Authority, and in the opinion of Bond Counsel, the same will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes. As a condition to such consent the Authority may require that the Institution pay to the Trustee either for deposit into the Debt Service Fund, or, pursuant to Section 12.01(b) of the Resolution, to be set aside or to purchase Defeasance Securities in accordance with the direction of the Authority, an amount equal to the greater of: (i) the amount, if any, which is sufficient to redeem or provide for payment in accordance with Section 12.01(b) of the Resolution of Outstanding Bonds required to be redeemed or deemed paid in order to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes; and (ii) the lesser of (A) the net proceeds of such transfer, sale or conveyance or (B) a percentage of the Outstanding Bonds determined by dividing (1) the principal amount of Bonds issued to finance the portion of such Project being transferred, sold or conveyed (which principal amount shall be reasonably determined by the Authority) by (2) the aggregate principal amount of Bonds issued. The Institution may remove equipment, furniture or fixtures that is part of the Project or the Mortgaged Property and was financed with the proceeds of the Bonds provided that (x) the Institution substitutes for such equipment, furniture or fixtures additional equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced, and (y) in the opinion of Bond Counsel, such removal will not adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes.

(Sections 23)

Maintenance, Repair and Replacement

The Institution agrees that, throughout the term of the Loan Agreement, it shall, at its own expense, hold, operate and maintain the Project and the Mortgaged Property in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and safe condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project and the Mortgaged Property may be properly and advantageously conducted. The Institution shall give the Authority not less than fifteen (15) days prior written notice of its intention to make a change or alteration that materially alters the scope or nature of the Project or the Mortgaged Property or a portion thereof.

The Institution shall have the right to remove or replace any type of fixtures, furnishings and equipment in the Project and the Mortgaged Property which may have been financed by the proceeds of the sale of the Bonds provided (x) the Institution substitutes for any such removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced, and (y) in the opinion of Bond Counsel, such removal will not adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes.

The Institution further agrees that it shall pay at its own expense all extraordinary costs of maintaining, repairing and replacing the Project and the Mortgaged Property except insofar as funds are made available therefor from proceeds of insurance, condemnation or eminent domain awards.

(Section 24)

Covenant as to Insurance.

The Institution agrees to maintain or cause to be maintained insurance with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by private Institutions and universities located in the State of a nature similar to that of the Institution, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. The Institution shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

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

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

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

(Section 25)

Reporting Requirements; Access to Records

The Institution shall furnish or cause to be furnished to the Authority, the Trustee and the Provider or such other persons as the Authority may designate and, with respect to the items set forth in subparagraphs (i) and (ii) below, the Municipal Securities Rulemaking Board, as such term is defined in the Continuing Disclosure Agreement, to which the Institution is a party:

- (i) annually, within one hundred twenty (120) days after the end of the Institution's Fiscal Year, (A) a copy of the annual audited financial statements of the Institution for such Fiscal Year, including therein without limitation, a balance sheet as of the end of such Fiscal Year, a statement of changes in net assets and a statement of activities for such Fiscal Year or such other financial statements then required in accordance with generally accepted accounting principles applicable to the Institution, audited by a firm of independent public accountants of recognized standing as may be reasonably acceptable to the Authority, (B) a copy of any management letter prepared by the auditors, (C) a certificate or other instrument signed by the Institution's auditors stating whether an Event of Default, or, to the best of the auditors' knowledge, an event that, with the giving of notice or the passage of time, or both, would constitute such an Event of Default, has occurred and is continuing, and, if such an Event of Default or such an event has occurred and is continuing, a statement as to the nature thereof, and (D) if such an Event of Default or such an event has occurred and is continuing, a certificate of an Authorized Officer of the Institution setting forth the action that the Institution proposes to take with respect thereto;
- (ii) prompt written notice, but in no event more than thirty (30) days after commencement, of any adverse litigation (A) seeking damages in excess of the applicable insurance coverage or (B) in which an adverse determination may have a material adverse effect on the combined financial or operating condition of the Institution;
- (iii) prompt written notice of any pending formation, acquisition, merger, consolidation, change in ownership or dissolution of or by the Institution and, within ten (10) days after any of the foregoing become effective;
- (iv) such reports with respect to the condition of, and repairs, replacements, renovations, and maintenance, to the Project or the Mortgaged Property as the Authority may from time to time reasonably request; and
- (v) such other information respecting the business, property or the condition or operations, financial or otherwise, of the Institution as the Authority may from time to time reasonably request (other than information the Institution is required by law to keep confidential), including, but not limited to, such information as, in the reasonable judgment of the Authority, may be necessary in order to ensure compliance with applicable federal securities laws in effect from time to time or to maintain a market for or enable securities dealers to offer the Bonds for sale.

In addition, the Institution shall furnish or cause to be furnished to the Authority, the Provider and the Disclosure Dissemination Agent (as such term is defined in the Continuing Disclosure Agreement) quarterly, during the period of construction of the Project, within sixty (60) days after the end of each fiscal quarter of the Institution, a report on the status of construction of the Project, providing information comparing the original budget for the construction of the Project to actual costs to date, showing a revised budget and updating the University Center Construction Schedule that was provided in the Official Statement relating to the Bonds.

At any and all reasonable times and from time to time, permit the Authority and the Trustee, or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account (other than those books and records that by law must be treated as confidential) of, and visit the properties of the Institution and to discuss the affairs, finances and accounts of the Institution with any of their respective officers.

(Section 28)

Defaults and Remedies

(a) As used in the Loan Agreement the term “Event of Default” shall mean:

(i) the Institution shall default in the timely payment of any amount payable pursuant to Section 9 of the Loan Agreement or the payment of any other amounts required to be delivered or paid by or on behalf of the Institution in accordance with the Loan Agreement or with the Resolution or the Series Resolution, and such default continues for a period in excess of seven (7) days; or

(ii) the Institution defaults in the due and punctual performance of any other covenant 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 to the Institution by the Authority or the Trustee, or, if such default is not capable of being cured within thirty (30) days, the Institution fails to commence within said thirty (30) days to cure the same and to diligently prosecute the cure thereof; or

(iii) as a result of any default in payment or performance required of the Institution under the Loan Agreement or any other Event of Default 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, a Facility Provider or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof; or

(iv) the Institution shall be in default under any agreement entered into with the issuer of or in connection with a Liquidity Facility or a Credit Facility (which default has not been waived or cured) and, upon such default, (A) the principal of any indebtedness thereunder may be declared to be due and payable or (B) the lien security interest or pledge may be foreclosed or realized upon; or

(v) the Institution 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; or

(vi) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institution, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Institution, or any petition for any such relief shall be filed against the Institution and such petition shall not be stayed or dismissed within ninety (90) days; or

(vii) the charter of the Institution shall be suspended or revoked; or

(viii) a petition to dissolve the Institution shall be filed by the Institution with the Board of Regents of the Institution of the State, the legislature of the State or other governmental authority having jurisdiction over the Institution; or

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

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

(xi) an order of a court having jurisdiction shall be entered directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

(xii) a final judgment for the payment of money which is not covered by insurance or reserves set aside by the Institution, which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against the Institution and at any time after sixty (60) days from the entry thereof, (A) such judgment shall not have been discharged or paid, or (B) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within sixty (60) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal; or

(xiii) the Institution shall be in default under the Mortgage and such default continues beyond any applicable grace period; or

(xiv) the Institution shall be in default on any Parity Indebtedness and as a consequence thereof such Parity Indebtedness has been or is capable of being declared immediately due and payable.

(b) Upon the occurrence of an Event of Default the Authority may take any one or more of the following actions:

(i) declare all sums payable by the Institution under the Loan Agreement immediately due and payable;

(ii) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of the Bonds or the Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

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

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

(v) realize upon any pledge of or security interest in the Pledged Revenues and the rights to receive the same, all to the extent provided in Sections 11 and 12 of the Loan Agreement, by any one or more of the following actions: (A) enter the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money in the possession of the Institution representing Pledged Revenues or proceeds thereof; (B) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that (1) the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Bonds on the next interest payment date therefor, subject to the Prior Pledges, and may continue to do so commencing on each such interest payment date to the extent of amounts due on Outstanding Bonds on the next interest payment date therefor, with respect to the Pledged Revenues, until such amounts are fully collected, (2) written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors and (3) until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; (C) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or

contract rights from the Institution's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority; provided, however, that (1) the money in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the Institution to make withdrawals from such fund or account for its corporate purposes and (3) the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured or waived; (E) forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; or (F) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

(vi) to the extent permitted by law, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution by the Loan Agreement, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institution in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this subparagraph (vi), (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of this subparagraph (v) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution, pursuant to the Loan Agreement, irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by this subparagraph during the term of the Loan Agreement;

(vii) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement or under the Mortgage or by law, and any other action or proceeding permitted by the terms of the Loan Agreement or by law; and

(viii) realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (i) enter the Project or Mortgaged Property and take possession of any such fixtures, furnishings and equipment; or (ii) sell, lease or otherwise dispose of any such fixtures, furnishings and equipment either together with a sale, lease or other disposition of the Mortgaged Property pursuant to the Loan Agreement or to each Mortgage, or separately, whether or not possession has been secured; provided, however, that if sold, leased or otherwise disposed of separately, such sale, lease or other disposition shall be in a commercially reasonable manner and upon five (5) days' prior written notice to the Institution of the time and place of such sale.

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

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made or action taken pursuant to the Loan Agreement and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 31)

Termination

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

(Section 45)

Financial Covenants

Asset Maintenance Ratio. The Institution covenants that as of each Testing Date the Asset Maintenance Ratio will be at least .40; provided, however, that Dormitory Debt related to a Dormitory Facility shall be excluded from the calculation of the Asset Maintenance Ratio calculated on any Testing Date if either:(x) the Testing Date is on or prior to June 30 of a Fiscal Year that commenced during the Start-up Period for such Dormitory Facility, or (y) the average Dormitory Debt Service Coverage Ratio for such Dormitory Debt was at least 1.10 for each Fiscal Year for which audited financial statements are then available next preceding the Testing Date and that commenced after the Start-up Period, but for not more than the three most recent Fiscal Years.The Institution covenants that, if on any June 30 Testing Date the Asset Maintenance Ratio, is less than the required Asset Maintenance Ratio, it will prepare and submit to the Authority a report setting forth actions proposed to be taken by the Institution that are projected to restore by the succeeding June 30 Testing Date the required Asset Maintenance Ratio and diligently proceed to implement such actions.

Notwithstanding the foregoing, if on any Testing Date the Asset Maintenance Ratio is less than .40 but not less than .30, then, for purposes of paragraphs (a) and (b) of Section 2.01 of Schedule A of the Loan Agreement, the Institution shall not be considered to have failed to have an Asset Maintenance Ratio of at least .40 unless the Asset Maintenance Ratio on each of the next succeeding ten Testing Dates is less than .40 but not less than .30 on each such Testing Date.

Additional Indebtedness. The Institution covenants that it will not incur any Long-Term Indebtedness without obtaining the Authority's written consent thereto unless the Institution delivers or causes to be delivered to the Authority: a certificate of the chief financial officer of the Institution or a report of a firm of independent, certified public accountants or of a Management Consultant demonstrating that on the June 30 Testing Date of the most recent Fiscal Year for which audited financial statements are available the Asset Maintenance Ratio was not less than the then required Asset Maintenance Ratio.Notwithstanding any other provision of the Loan Agreement to the contrary, the Institution may incur Long-Term Indebtedness secured by a lien on the Pledged Revenues or a mortgage on any Mortgaged Property that is of equal priority with the lien on the Pledged Revenues or the Mortgages on Mortgaged Property securing the Institution's obligations under the Loan Agreement if: (i) the Institution grants to the Authority to further secure its obligations under the Loan Agreement a security interest in any of the Institution's property that secures such Long-Term Indebtedness that does not then secure its obligations under the Loan Agreement; and (ii) an inter-creditor agreement has been executed by and between the Authority, the Trustee and the creditor under such Long-Term Indebtedness in form and substance acceptable to the Authority and the Trustee.Reporting Requirements The Institution covenants that it will, within the later of (x) 120 days after the end of each Fiscal Year and (y) 30 days after the Institution's audited financial statements for such Fiscal Year are available, file with the Authority a certificate of an Authorized Officer to the effect that, based upon such audited financial statements, the Institution maintained the required Asset Maintenance Ratio and, if such Fiscal Year begins

at least 24 months after the date Dormitory Debt was incurred for a Dormitory Facility, stating the Dormitory Debt Service Ratio for such Fiscal Year for such Dormitory Debt.

Lock-Box Upon Default. The Institution covenants that upon the request of the Authority made after (a) an Event of Default under the Loan Agreement has occurred as a result of a failure of the Institution to timely make certain payments, or (b) a failure to maintain the required Asset Maintenance Ratio as of any two June 30 Testing Dates, it will until such Event of Default is cured deposit the Pledged Revenues, as and when received, into a "lock-box" account to be held by a person selected by the Authority. If the lock-box arrangement is implemented, the Institution will be allowed to make withdrawals from the account for expenses set out in a budget approved by the Authority, but any other material withdrawals from the account will require approval of the Authority. Any surplus funds in the lock-box account at the end of the Fiscal Year will be transferred to the Institution. The Institution covenants that if on any two consecutive June 30 Testing Dates, the Asset Maintenance Ratio is less than the then required Asset Maintenance Ratio, it will upon the request of the Authority comply with the provisions of Section 2.04(a) of Schedule A of the Loan Agreement and continue to comply therewith until the Asset Maintenance Ratio required is on any subsequent June 30 Testing Date at least .40.

Effect of Defaults. A failure to comply with the required Asset Maintenance Ratio described above shall not constitute an Event of Default under the Loan Agreement unless (i) on two consecutive June 30 Testing Dates the Asset Maintenance Ratio is less than the then required Asset Maintenance Ratio, and the Institution fails to duly and punctually deposit Pledged Revenues in a "lock-box", as described above; or (ii) the Institution fails to duly and punctually conform to the reporting requirements described above, or diligently proceeds to implement the actions set forth in such report.

(Schedule A of the Loan Agreement)

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

Appendix D

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution pertaining to the Bonds and the Project. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used but not defined herein shall have the meanings ascribed to them in Appendix A.

Contract with Bondholders

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its The New School Revenue Bonds in one or more Series of Bonds, each such Series to be authorized by a separate Series Resolution, inter alia, to be separately secured from each other Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and such Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds of a Series, and the pledge and assignment to the Trustee made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution and a Series Resolution.

(Section 1.03)

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 or one or more notes or bonds of the Authority, which may include interest thereon, all or a portion of the proceeds of which were applied to making one or more loans to the Institution. The Authority may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other money available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds. 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, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds as provided by the Resolution.

(Sections 2.04 and 2.05)

Pledge of Revenues

The proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the Pledged Revenues and, except as otherwise provided in Section 5.02 of the Resolution, all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund and any fund established for the repayment of funds drawn under a Credit Facility or Liquidity Facility, are pursuant to the Resolution, subject to the adoption of a Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on such Series of Bonds, all in accordance with the provisions of the Resolution and Series Resolution. The pledge made in the Resolution shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other

Series of Bonds. The pledge made in the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues, and all funds and accounts established by the Resolution and by a Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and the funds and accounts established by the Resolution and pursuant to a Series Resolution, which are pledged by the Resolution as provided in the Resolution, and which pledge shall constitute a first lien thereon, subject, with respect to the applicable Pledged Revenues, only to the Prior Pledges and any existing or future liens securing Parity Indebtedness.

(Section 5.01)

Establishment of Funds and Accounts

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

Construction Fund:
 Project Account;
 Capitalized Interest Account;
 Cost of Issuance Account; and
Debt Service Fund;
Debt Service Reserve Fund, if applicable; and
Arbitrage Rebate Fund.

In addition to the accounts and subaccounts, if any, required to be established by the Resolution or any Series Resolution, or any Bond Series Certificate, the Authority may for purposes of internal accounting establish such other accounts and subaccounts as the Authority or the Trustee deems proper, necessary or desirable.

All money at any time deposited in any fund, account or subaccount created and pledged by the Resolution or a Series Resolution or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds of a Series, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution, unless otherwise provided in the applicable Series Resolution; provided, however, that the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price of such Option Bonds; provided further, that any Debt Service Reserve Fund established by or pursuant to a Series Resolution, the amounts held therein and amounts derived from any Reserve Fund Facility related thereto, shall not be held in trust for the benefit of the Holders of Bonds other than the Bonds of the Series secured thereby as provided in such Series Resolution and are pledged solely thereto and no Holder of the Bonds of any other Series shall have any right or interest therein.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of 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

deposit in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series.

(Section 5.03)

Application of Money in the Construction Fund

As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the Construction Fund with respect to such Series 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. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund any money paid to the Authority pursuant to Section 7.08 of the Resolution and all amounts paid by the Institution which by the terms of the Loan Agreement are required to be deposited therein.

Except as otherwise provided in the Resolution and in any applicable Series Resolution or Bond Series Certificate, money deposited in a Construction Fund shall be used only to pay the Costs of Issuance of the Series of Bonds in connection with which such Construction Fund was established and the Costs of the Project for which such Construction Fund was established.

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the money, if any, then remaining in the Construction Fund relating to such Project, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance of the related Series of Bonds and Costs of the Project then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority: (1st) upon the direction of an Authorized Officer of the Authority, to the applicable Arbitrage Rebate Fund, the amount set forth in such direction; and (2nd) to the applicable Debt Service Reserve Fund, if any, such amount as shall be necessary to make the amount on deposit in such fund equal to the applicable Debt Service Reserve Requirement; and (3rd) to the applicable Debt Service Fund, to be applied in accordance with Section 5.06 of the Resolution, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

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

First: To the applicable 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 applicable Debt Service Fund equal to (a) the interest on Outstanding Bonds of a Series payable on or prior to the next succeeding January 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond of a Series on and prior to the next succeeding January 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, (b) the Sinking Fund Installments of Outstanding Option Bonds and Variable Interest Rate Bonds of a Series payable on or prior to the next succeeding January 1 and (c) the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption pursuant to the Resolution on or prior to the next succeeding 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 payable on and prior to the next succeeding July 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond on and prior to the next succeeding July 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum and (b) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption

pursuant to the Resolution on or prior to the next succeeding July 1, plus accrued interest thereon to the date of purchase or redemption;

Second: In the event the applicable Debt Service Reserve Fund, if any, is funded without a Reserve Fund Facility such amount as shall be necessary to make the amount on deposit in such fund equal to the applicable Debt Service Reserve Requirement, or in the event that applicable Debt Service Reserve Fund, if any, is funded with a Reserve Fund Facility to reimburse, pro rata, each Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Provider to replenish the applicable Debt Service Reserve Fund to its Debt Service Reserve Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Reserve Fund Facility Provider and the amount of the deficiency in the applicable Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the applicable Debt Service Reserve Fund;

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

Fourth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the applicable Loan Agreement or any applicable Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fourth.

The Trustee shall, promptly after making the above required payments, notify the Authority and the Institution of any balance of Revenues then remaining on the immediately succeeding July 1. After making the above required payments, the balance, if any, of the Revenues then remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Construction Fund or the Debt Service Fund, or paid to the Institution, in the respective amounts set forth in such direction. Any amounts paid to the Institution shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Loan Agreement.

(Section 5.05)

Debt Service Fund

The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agents out of each Debt Service Fund: (a) the interest due and payable on all Outstanding Bonds of a Series on such interest payment date; (b) the principal amount due and payable on such interest payment date on all Outstanding Bonds of a Series; and (c) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds of a Series 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 paragraph (a) 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 money on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of a Series to be redeemed from such Sinking Fund Installment. In addition, the Institution 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 purchased and any Term Bond so delivered to the Trustee in accordance with the Resolution shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited

against the Sinking Fund Installment due on such date; provided, however, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

Money in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, the interest on Outstanding Bonds of a Series payable on and prior to the earlier of the next succeeding interest payment date, assuming that a Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, and the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of a Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Debt Service Fund, such money shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds of a Series as provided in the Resolution, at the Redemption Prices specified in the applicable Series Resolution authorizing the issuance of the Bonds to be redeemed or the Bond Series Certificate relating to such Bonds.

(Section 5.06)

Debt Service Reserve Fund

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

(Section 5.07)

Arbitrage Rebate Fund

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

Money on deposit in each Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Money which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall, first, be applied to reimburse pro rata, each Provider for money advanced under a Credit Facility or a Liquidity Facility, including interest thereon, which is then unpaid in proportion to the respective amounts advanced by each Provider, and, then be deposited to any fund or account established under the Resolution in accordance with the directions of such Authorized Officer.

(Section 5.08)

Application of Money in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund and the Debt Service Reserve Fund, if applicable, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of a Series and the interest accrued and unpaid and to accrue on such Bonds to the next date on which all such Bonds are redeemable, or to make provision pursuant to the Resolution for the payment of the Outstanding Bonds of a Series at the maturity or redemption dates thereof, the Trustee shall so notify the Authority

and the Institution. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds of a Series, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by a Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the Resolution and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.09)

Investment of Funds and Accounts

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

In lieu of the investments of money in obligations authorized, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest money in the Construction Fund in any Permitted Investment; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes set forth in the Resolution, provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

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

In computing the amount in any fund or account held by the Trustee, Permitted Investments shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in any Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest.

Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in Section 6.02. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and the Institution on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of 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.

No part of the proceeds of a Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond of a Series to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Creation of Liens

Except as permitted by the Resolution or a Series Resolution, the Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds of such Series on the proceeds from the sale of such Bonds, the applicable Revenues, the Authority's security interest in the Pledged Revenues, the Mortgages, the rights of the Authority to receive payments to be made under the applicable Loan Agreement that are to be deposited with the Trustee or the funds and accounts established by the Resolution and by such Series Resolution that are pledged by the Resolution other than, with respect to the Pledged Revenues, the Prior Pledges and any existing or future liens to secure Parity Indebtedness; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations or otherwise incurred indebtedness under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution and by a Series Resolution and (ii) incurring obligations with respect to a Credit Facility or a Liquidity Facility which are secured by a lien upon and pledge of the applicable Revenues of equal priority with the lien created and the pledge made by the Resolution and by the applicable Series Resolution. Nothing in Section 7.06 of the Resolution is intended to prevent the creation of a parity lien on the Pledged Revenues as otherwise provided in the Resolution.

(Section 7.06)

Amendment of Loan Agreement

A Loan Agreement may not be amended, changed, modified, altered or terminated nor may any provision thereof be waived if any such amendment, change, modification, alteration, termination or waiver would adversely affect in any material respect the interest of the Holders of Outstanding Bonds of the applicable Series to which such Loan Agreement relates unless consented to in writing by the Holders of at least a majority in aggregate principal amount of the Bonds of such Series then Outstanding; provided, however, that no such amendment, change, modification, alteration, or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of a Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Institution under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Any consent given pursuant to Section 7.11 of the Resolution by the Holders of Bonds shall, except as otherwise provided in such Section, be given in the same manner required by Article X of the Resolution.

A Loan Agreement may be amended, changed, modified or altered (i) without the consent of the Trustee or the Holders of the applicable Outstanding Bonds, to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any facilities constituting a part of any Project or to otherwise amend the Project or (ii) with the consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in such Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Except as otherwise provided in Section 7.11 of the Resolution, a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds or the Trustee. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

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

For the purposes of Section 7.11 of the Resolution, a Series shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the Loan Agreement or the waiver of any provision thereof if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification, alteration, termination or waiver and any such determination shall be binding and conclusive on the Institution, the Authority and all Holders of Bonds of such Series.

For all purposes of Section 7.11 of 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, alteration, termination or waiver adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

(Section 7.11)

Modification and Amendment Without Consent

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

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

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

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

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

(e) To confirm, as further assurance, any pledge under the Resolution and a Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution and Series Resolution, of the Revenues or of any other money, securities or funds;

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

(g) To modify or amend a Project; or

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

(Section 9.01)

Supplemental Resolutions Effective With Consent of Bondholders

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

(Section 9.02)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution or of any Series Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as set forth in the provision of the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds of a Series Outstanding at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof, or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of Section 10.01 of the Resolution, a Series shall be deemed to be affected by a modification or amendment if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds of such Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 10.01 of the Resolution to take effect when and as provided in such Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders of a Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to such Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in Section 10.01 of the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of a Series specified in Section 10.01 of the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in Section 10.01 of the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by Section 13.01 of the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 13.01 of the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee.

Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in Section 13.01 of the Resolution to the contrary notwithstanding, upon any subsequent Bondholder and

of any Bonds of a Series issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in Section 10.01 of the Resolution provided for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds of a Series shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed.

At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of a Series and will be effective as provided in Section 10.01 of the Resolution, shall be given to such Bondholders by the Authority by mailing such notice to such Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds of such Series shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in Section 10.01 of the Resolution). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by Section 10.01 of the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, and the Holders of all Bonds of such Series upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of Article X of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters or Remarketing Agent, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by Section 10.01 or Section 10.03 of the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of a Series under the Resolution may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer and the consent of the Holders of all of the Bonds of a Series then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Bondholders either by mailing or publication shall be required.

(Section 10.03)

Consent of Provider

Whenever by the terms of Article X of the Resolution, the consent of any of the Holders of the Bonds of a Series 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 applicable Provider has been obtained. No modification or amendment of the Resolution which adversely affects a Provider shall be, if any, made without the written consent thereto of the 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 applicable Provider, if any, 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 of a Series. Notice thereof shall also be given to each Rating Service as soon as practical after adoption of such Series Resolution or Supplemental Resolution and of the effectiveness thereof.

(Section 10.04)

Events of Default

Each of the following constitutes an “event of default” under the Resolution and a Series Resolution if:

(a) With respect to a Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to a Series of Bonds, payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to a Series of Bonds, the Authority shall fail to duly and punctually perform any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to a Series of Bonds, the Authority shall fail to duly and punctually perform any other of the covenants, conditions, agreements and provisions contained in the Resolution or in such Bonds or in a 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 percent (25%) in principal amount of the Outstanding Bonds of such Series, or, if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence to cure such default within said thirty (30) days and diligently prosecutes the cure thereof; or

(e) With respect to a Series of Bonds, the Authority shall have notified the Trustee that an “Event of Default”, under a Loan Agreement, as such term is defined in such Loan Agreement, shall have occurred and be continuing and all sums payable by the Institution under the Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default (other than under paragraph (c) of the provision of the Resolution summarized above under the caption “*Event of Default*”), then and in every such case the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of a Series shall, by a notice in writing to the Authority, declare the principal of

and interest on all of the Outstanding Bonds of such Series to be immediately due and payable. At the expiration of thirty (30) days 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 a Series Resolution or in the Bonds of a Series to the contrary notwithstanding. At any time after the principal of the Bonds of such Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such event of default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds of such Series not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) money shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Series (except the interest accrued on such Bonds since the last interest payment date); (ii) money shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under each Series Resolution (other than principal amounts payable only because of a declaration and acceleration under Section 11.03 of the Resolution) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other event of default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution, the Series Resolution or in such Bonds (other than an event of default relating to the payment of the principal of such Bonds then due only because of a declaration under Section 11.03 of the Resolution) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent event of default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default, then and in every such case, the Trustee may proceed, and, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution regarding indemnification of the Trustee), 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 the applicable 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 or a Series Resolution or in aid or execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

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

(Section 11.04)

Priority of Payments After Default

If at any time the money held by the Trustee under the Resolution and under a Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of a Series as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of the Resolution), such money together with any money then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, shall be applied (after first depositing in the Arbitrage Rebate Fund all amounts required to be deposited therein and then paying all amounts owing to the Trustee under the Resolution) as follows:

(a) Unless the principal of all the Bonds of a Series has become or been declared due and payable, all such money shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which shall have become due whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all amounts due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) Unless otherwise provided by or pursuant to a Series Resolution, if the principal of all of the Bonds of a Series has become or been declared due and payable, all such money shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other Bond of such Series, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds.

Whenever money is to be applied by the Trustee pursuant to the provisions of Section 11.05 of the Resolution, such money shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. The setting aside of such money in trust for application in accordance with Section 11.05 of the Resolution shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Bondholder of a Series or to any other person for any delay in applying any such money so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such money, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

(Section 11.05)

Termination of Proceedings

In case any proceedings commenced by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee, each applicable Provider, the Institution and the Bondholders of such Series shall be restored to their former positions and rights under the Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been commenced.

(Section 11.06)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of a majority in principal amount of the Outstanding Bonds of a Series shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under a Series Resolution, provided such direction shall be in accordance with law or the provisions

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

(Section 11.08)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of 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 money and securities pledged to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all money or securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to such Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution. The securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

Bonds for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee (through deposit of money for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds of any Series or any maturity within such Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph 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 said date of such Bonds, (b) there shall have been on deposit with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on 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 applicable Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Provider, and (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 said Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with Section 12.01 of the Resolution and stating such maturity or redemption date upon which money is to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. 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 money 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, however*, that any money received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; provided further, that money and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such money so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required by the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

For purposes of determining whether Variable Interest Rate Bonds of a Series shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of money, or Defeasance Securities and money, if any, in accordance with clause (b) of the preceding paragraph, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; *provided, however*, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of money and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be

deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (b) of the preceding paragraph, the Trustee shall, if requested by the Authority pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Option Bonds of a Series shall be deemed to have been paid in accordance with the second paragraph of Section 12.01 of the Resolution only if, in addition to satisfying the requirements of clauses (a) and (b) above, there shall have been deposited with the Trustee money in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the second paragraph 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 Section 12.01 of the Resolution. If any portion of the money deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

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

(Section 12.01)

**FORM OF APPROVING OPINION
OF BOND COUNSEL**

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FORM OF APPROVING OPINION OF BOND COUNSEL

October __, 2011

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

\$35,480,000
Dormitory Authority of the State of New York
The New School Revenue Bonds, Series 2011

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 Authority's issuance of its 35,480,000 principal amount of The New School Revenue Bonds, Series 2011 (the "Series 2011 Bonds").

In such capacity, we have examined the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State of New York, as amended, and constituting Titles 4 and 4-B of Article 8 of the Public Authorities Law), as amended from time to time to the date hereof (hereinafter collectively called the "Act"), creating the Authority as a body corporate and politic constituting a public benefit corporation of the State of New York. We have also examined a certified record of the proceedings authorizing the execution and delivery of the Loan Agreement (hereinafter mentioned) and showing the adoption on October 27, 2010 of the Dormitory Authority of the State of New York The New School Revenue Bond Resolution (the "Bond Resolution"), and on October 27, 2010 of the Dormitory Authority of the State of New York Series 2011 Resolution Authorizing Up To \$350,000,000 of The New School Revenue Bonds, Series 2011 (the "Series Resolution" and, together with the Bond Resolution, the "Resolutions"), and other such proofs relating to the issuance of the Series 2011 Bonds as we have deemed necessary as a basis for the following opinions. We have not undertaken an independent audit or investigation of the matters and opinions described or contained in the foregoing proofs.

The Series 2011 Bonds are dated the date of this opinion, mature on July 1 of the years and in the respective principal amounts, bear interest, payable on January 1, 2012 and semi-annually thereafter on January 1 and July 1 in each year, at the respective rates per annum and are subject to redemption prior to maturity in the manner and upon the terms and conditions, all as set forth in the Bond Series Certificate of the Authority with respect to the Series 2011 Bonds and in the Resolutions.

The Series 2011 Bonds are secured by a pledge of revenues received by the Authority under a Loan Agreement, dated as of September 1, 2011 (the "Loan Agreement"), with The New School (the "University").

From such examination, we are of the opinion that:

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

2. The Bond Resolution and the Series Resolution have been duly and lawfully adopted by the Authority and the Series Resolution is authorized and permitted by and has been adopted in accordance with the provisions of the Bond Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2011 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2011 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the

Appendix E

Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

4. The Loan Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the University, constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

5. Assuming compliance by the University and the Authority with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and except as provided in the following sentence, interest on the Series 2011 Bonds is not includable in the gross income of the owners of the Series 2011 Bonds for purposes of federal income taxation under current law. Interest on the Series 2011 Bonds will become includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2011 Bonds (a) in the event of a failure by the University or the Authority to comply, subsequent to the issuance of the Series 2011 Bonds, with certain requirements of the Code and covenants regarding use, expenditure and investment of proceeds of the Series 2011 Bonds and the timely payment of certain investment earnings to the United States Treasury, or (b) in the event the \$150 million limitation imposed by Section 145(b) of the Code on certain outstanding tax-exempt non-hospital bonds is exceeded within three years of the date of issue of the Series 2011 Bonds. The University and the Authority have covenanted, among other things, not to take any action that would cause interest on the Series 2011 Bonds to be includable in the gross income of the holders thereof for federal income tax purposes. Interest on the Series 2011 Bonds is not an item of tax preference for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Series 2011 Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

6. Interest on the Series 2011 Bonds is exempt from personal income taxes of the State of New York and its political subdivisions.

7. The excess, if any, of the amount payable at maturity of any maturity of the Series 2011 Bonds over the initial offering price of such Series 2011 Bonds to the public at which price a substantial amount of such maturity is sold to the public represents original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2011 Bonds. The Code further provides that such original issue discount excluded as interest accrues in accordance with a constant yield method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining gain or loss on disposition of Series 2011 Bonds with original issue discount will be increased by the amount of such accrued interest.

We have examined a fully executed Series 2011 Bond and, in our opinion, the form of said bonds and their execution are regular and proper.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2011 Bonds against the Authority may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy. In rendering the opinions in paragraphs 5 and 7 above, we have relied upon the representations made by the University with respect to certain material facts within the knowledge of the University, which facts and representations we have not independently verified and upon the accompanying opinion of Nixon Peabody LLP, special financing counsel for the University, that the University is exempt from federal income taxation, except for unrelated business income tax, under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code. Our opinions in paragraph 5 above with respect to the exclusion from gross income of the interest on the Series 2011 Bonds for federal income tax purposes may not be relied on to the extent that such exclusion is adversely affected as a result of any action taken, or not taken, in reliance on the opinion or advice of counsel other than this firm. Other than as described herein, we have not addressed and we are not opining on the tax consequences to any investor of the investment in, the ownership or disposition of or receipt of the interest on, the Series 2011 Bonds.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the University.

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The opinions expressed herein are based on an analysis of current laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof.

We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

Respectfully submitted

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